

**State of Illinois  
GRUNDY/KENDALL COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 24**

**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

GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24

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**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24**

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**GRUNDY/KENDALL COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 24**

**OFFICIALS**

Regional Superintendent  
(current and during the audit period)

Mr. Thomas J. Centowski

Assistant Regional Superintendent  
(current and during the audit period)

Mr. Paul Nordstrom

Office is located at:

1320 Union Street  
Morris, Illinois 60450

**GRUNDY/KENDALL COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 24  
JUNE 30, 2005**

**COMPLIANCE REPORT**

**SUMMARY**

The compliance audit testing performed during 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 control do not contain scope limitations, disclaimers, or other significant non-standard language.

**SUMMARY OF AUDIT FINDINGS**

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	4	3
Repeated audit findings	2	2
Prior recommendations implemented or not repeated	1	1

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>	<u>Prior Finding Code</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
05-1	12	Controls Over Compliance with Laws and Regulations	N/A
05-2	14	Inadequate Controls Over Cash	04-1
05-3	20	Inadequate Segregation of Duties	04-2
05-4	23	Failure to Fully Secure and Collateralize Cash Balance in Excess of \$100,000	N/A

FINDINGS AND QUESTIONED COSTS  
(FEDERAL COMPLIANCE)  
None

**GRUNDY/KENDALL COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 24  
JUNE 30, 2005**

**SUMMARY OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Prior Finding Code</u>
PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)			
04-3	32	Noncompliance with State Mandates	
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 6, 2005 held at the Grundy/Kendall Counties Regional Office of Education No. 24, 1320 Union Street, Morris, Illinois 60450. Representing the ROE were Thomas Centowski, Regional Superintendent, Paul Nordstrom, Assistant Regional Superintendent, Jean Koerner, Bookkeeper, Susan Lynn, Bookkeeper, Betty Irelan, Bookkeeper and Dana Agnich, Administrative Assistant. Representing E. C. Ortiz & Co., LLP were Stella B. Santos, Partner, and Leilani N. Rodrigo, Manager. Responses to the recommendations were provided by Thomas Centowski in a letter dated April 18, 2006.

## FINANCIAL STATEMENT REPORT

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### 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.

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### 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.

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### 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.

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### 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.

**GRUNDY/KENDALL COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 24**

**FINANCIAL STATEMENT REPORT**

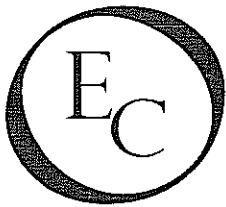
**SUMMARY**

The audit of the accompanying basic financial statements of the Grundy/Kendall Counties Regional Office of Education No. 24 was performed by E. C. Ortiz and Co., LLP.

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







E.C. ORTIZ & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS

## 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 Grundy/Kendall Counties Regional Office of Education No. 24, as of and for the year ended June 30, 2005, which collectively comprise the Grundy/Kendall Counties Regional Office of Education No. 24's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Grundy/Kendall Counties Regional Office of Education No. 24'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 Grundy/Kendall Counties Regional Office of Education No. 24, 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 November 22, 2005 on our consideration of the Grundy/Kendall Counties Regional Office of Education No. 24'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.

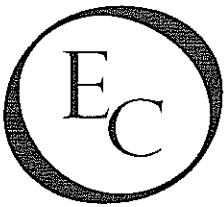
The Management's Discussion and Analysis and the Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 34 to 39 and page 69 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in

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 Grundy/Kendall Counties Regional Office of Education No. 24's basic financial statements. The combining and individual non-major fund financial statements, budgetary comparison schedules, and Schedule of Disbursements to School District Treasurers and Other Entities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

C. C. Grij & Co. LLP

Chicago, Illinois  
November 22, 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 Grundy/Kendall Counties Regional Office of Education No. 24, as of and for the year ended June 30, 2005, which collectively comprise the Grundy/Kendall Counties Regional Office of Education No. 24's basic financial statements and have issued our report thereon dated November 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Grundy/Kendall Counties Regional Office of Education No. 24'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 the 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 items 05-2, 05-3 and 05-4.

**Compliance and Other Matters**

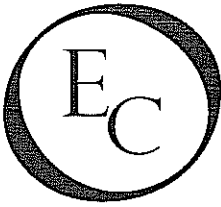
As part of obtaining reasonable assurance about whether the Grundy/Kendall Counties Regional Office of Education No. 24's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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.

C. C. Grij & Co. LLP

Chicago, Illinois  
November 22, 2005



E.C. ORTIZ & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS

**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 the Grundy/Kendall Counties Regional Office of Education No. 24 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 Grundy/Kendall Counties Regional Office of Education No. 24's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Grundy/Kendall Counties Regional Office of Education No. 24's management. Our responsibility is to express an opinion on the Grundy/Kendall Counties Regional Office of Education No. 24'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 Grundy/Kendall Counties Regional Office of Education No. 24'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 Grundy/Kendall Counties Regional Office of Education No. 24's compliance with those requirements.

In our opinion, the Grundy/Kendall Counties Regional Office of Education No. 24 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 Grundy/Kendall Counties Regional Office of Education No. 24 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 Grundy/Kendall Counties Regional Office of Education No. 24's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our

opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations 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. G. J. & G. L. R.*

Chicago, Illinois  
November 22, 2005





**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**Part 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 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>
17.259	Workforce Investment Act (WIA) In School - Kendall
17.259	Workforce Investment Act (WIA) Premier Youth

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

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

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
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:*

Grundy/Kendall Counties Regional Office of Education No. 24 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. 24 did not comply with statutory requirements.

*Cause:*

Grundy/Kendall Counties Regional Office of Education No. 24 management stated that the procedures currently being performed are deemed sufficient to comply with this mandate.

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
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. 24 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:*

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

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

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
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 - Inadequate Controls Over Cash (Repeated from 2004 and 2003 - Finding Nos. 04-1 and 03-2)**

*Criteria/Specific Requirements:*

Sound internal controls over cash receipts require that receipts be adequately supported to identify the actual date of receipt and the nature and source of the receipt in order to monitor timeliness and accuracy of deposits as well as the accuracy of revenue recording. Receipts should be deposited intact and on a timely basis.

Sound internal controls over cash disbursements require all disbursements to be adequately supported, approved by authorized personnel, and have supporting documents properly canceled at time of signature to prevent duplicate payment. Expenditure vouchers must be reviewed to ensure that payments are made only for items received and services rendered to the ROE.

Sound internal controls over cash also require cash, check signing machines, signature plates and blank checks be protected from unauthorized use. Bank reconciliations should be performed on a monthly basis and reconciling items be investigated and disposed of promptly.

*Condition:*

For the Local ROE Funds, daily cash receipts are recorded daily in a weekly cash receipts log. These weekly cash receipts logs are then grouped together to create a deposit batch. We tested 19 deposit batches that included 81 weekly cash receipt logs. We noted the following:

- 3 of 19 (16%) deposit batches totaling \$28,224 did not match the amounts of the supporting documents totaling \$28,349. The shortage of \$125 could not be accounted for.
- 4 of 19 (21%) deposit batches totaling \$2,421 did not have supporting documents to verify the nature, source, amount and date of actual receipts.
- 1 of 19 (5%) deposit batches which had a cash receipts log amounting to \$223 was not dated and signed by the staff receiving the items. The corresponding deposit slip covering this receipt log reflected a total deposit of \$228, with an overage of \$5 that could not be accounted for.
- Personal checks totaling \$646 were issued to replace cash items in 8 instances.

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
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 - Inadequate Controls Over Cash (Repeated from 2004 and 2003 - Finding Nos. 04-1 and 03-2) (Continued)**

- 15 of 19 (79%) deposit batches representing receipt of GED and miscellaneous fees and teacher certification fees totaling \$16,696 were not deposited timely from the receipt date as follows:

<u>No. of Days from Receipt Date</u>	<u>GED/Misc. Fees</u>	<u>Teacher Certification Fees</u>	<u>Total</u>
6-15	\$ 50	\$ 9,479	\$ 9,529
16-30	2,970	3,020	5,990
Over 31	1,177	-	1,177
	<u>\$ 4,197</u>	<u>\$ 12,499</u>	<u>\$ 16,696</u>

During our testing of disbursements and expenditures for the local ROE funds, we noted that personal items totaling \$90 were included in the ROE purchases in 2 instances. Personal checks were issued to cover these items. One check for \$25 was paid directly to the vendor and another check for \$65 was issued to the ROE to reimburse them for these items. The person ordering the personal items is the same person processing the invoices for payment.

We also noted that checks were not used sequentially and there is no formal monitoring of issuance of pre-numbered blank checks.

In our test of bank reconciliations, we identified a certificate of deposit amounting to \$10,000 that was not initially recorded in the general ledger as of June 30, 2005.

*Effect:*

The above noted exceptions in cash receipts resulted in a total shortage of \$120 that could not be adequately accounted for. It also resulted in incomplete cash account records as of June 30, 2005. Inadequate supporting documentation for receipts does not provide sufficient evidence for the accuracy of the revenues recorded and receipts deposited. Without the actual receipt dates indicated on the supporting documents, timeliness of deposits could not be determined and monitored.

Untimely deposit of cash receipts increases the risk of loss and delays the use of available funds. Issuance of personal checks to replace cash receipts may result in irregularities and inaccuracies as well as improper and unauthorized cash transactions not being detected timely or remain undetected.

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
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 - Inadequate Controls Over Cash (Repeated from 2004 and 2003 - Finding Nos. 04-1 and 03-2) (Continued)**

The practice of allowing personal items in the ROE purchases, although reimbursed, exposes the ROE to unnecessary and additional risk of loss. In addition, due to the inadequate segregation of duties, completeness of the items identified as personal, which should be excluded from the ROE expenses, could not be ascertained.

Without a formal monitoring of blank checks, unauthorized disbursements may be made and not be detected timely or go undetected.

*Cause:*

According to Grundy/Kendall Counties Regional Office of Education No. 24 officials, these exceptions occurred due to lack of manpower. The issuance of personal checks for cash receipts was done by staff to safeguard undeposited cash items. The Superintendent was aware of the accommodation of personal purchases and the purchases were infrequent and isolated instances. The unrecorded certificate of deposit was overlooked in the conversion from a manual to a computerized accounting system.

*Auditors' Recommendation:*

The Grundy/Kendall Counties Regional Office of Education No. 24 should ensure that receipts are adequately supported to identify the actual date of receipt and the nature and source of the receipt in order to monitor timeliness of deposits and accuracy of revenue recording. The practice of issuing personal checks to cover cash receipts should be discontinued. The ROE should also develop a formal deposit policy which defines the maximum amounts to be held for deposit and minimizes the time elapsed between the receipt of the funds and the deposit of the items.

The Regional Office should discontinue the practice of allowing personal purchases to be included in the ROE purchases. Issuance of blank checks to check preparers should be formally monitored in a control log to properly account for their use. An inventory of unissued checks by preparer should be performed monthly and reconciled with the control log. Bank reconciliations should be prepared for all bank accounts and reconciling items be investigated promptly.

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
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 - Inadequate Controls Over Cash (Repeated from 2004 and 2003 - Finding Nos. 04-1 and 03-2) (Continued)**

*Management's Response:*

Management prefaces its response by pointing out that Fiscal Year 05 was a difficult year due to the fact that the ROE's computer system crashed and was non-functional for almost a two-month period. Unfortunately, all bookkeeping records up to that point for that year were lost and had to be rebuilt by the bookkeeper. The computer system crashed in December and was not fully operational again until February. This may well have had an impact on some of the findings of the auditors. This had been explained to them.

Management also wishes to point out that findings and recommendations of the auditors for the year being audited are often not presented or finalized until well into four to six months (sometimes more) of the succeeding fiscal year. This fact can also impact findings, depending on the date of samples selected for scrutiny.

Every effort will be made to carefully date, note, and deposit all cash received. Changes were implemented at the recommendation of the auditors based upon findings of the previous year. However, the lag time as addressed above needs to be taken into consideration.

The Regional Superintendent does check, approve and initial bills and vouchers for payment at the main office in Morris. The Assistant Regional Superintendent does the same in the Yorkville office. This practice was instituted after receipt of the last audit as finalized.

As to ensuring that receipts are adequately supported to identify the actual date of receipt and the nature and source of the receipt in order to monitor timeliness of deposits and accuracy of revenue recording, a new procedure has been implemented for the recording of cash receipts which will, hopefully, satisfy the concerns of the auditor.

Deposits of cash receipts will be revised so as to allay the fears of the auditors. However, lack of staff and distance between the two offices (25 miles) and bank of depository will continue to be a problem. Additionally, it would be helpful for the auditor to define "timely" as it would apply to the working conditions incumbent on this ROE. (*See Auditor's Comment #1 below*)

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
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 - Inadequate Controls Over Cash (Repeated from 2004 and 2003 - Finding Nos. 04-1 and 03-2) (Continued)**

*Management's Response (continued):*

It should also be noted that some of the cash funds held are held because persons applying for teacher/administrator certificates have submitted incomplete paperwork. These applications are made by mail as well as in person. Practice has been to hold their checks along with submitted paperwork until all requisite paperwork is in. (This can often take a month or more since some paperwork must be requested from colleges/universities and/or previous employers.) It is more efficient to create an individual file and keep current paperwork and check until all needed papers have been received. This practice has never been a problem in the past and alleviates additional workload (either returning checks and then notifying applicants when paperwork has been received and requesting them to resubmit payment – unnecessary delay in their application – or depositing the checks and then creating additional bookkeeping and check writing).

Also, if a person makes application in the last quarter of the fiscal year, we inform that, unless they need their certificate immediately, we will hold their application and check until July 1 with their permission. To submit their application prior to July 1 causes them to lose an entire fiscal year in both the validity and registration of their certificates (this is State Certification Board rule, not the rule of the ROE).

The question is: does the ROE serve the constituency in a practical and efficient manner or does the ROE adhere to recommended audit practice? Needless to say, this creates a dilemma for the ROE. *(See Auditor's Comment #2 below)*

The practice of covering cash with personal checks has been discontinued as well as allowing staff to include personal purchases with office purchases.

A control log and inventory has been implemented to monitor issuance of blank checks.

Practice of bank reconciliations will be examined and adjusted accordingly.



**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
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 - Inadequate Controls Over Cash (Repeated from 2004 and 2003 -  
Finding Nos. 04-1 and 03-2) (Continued)**

*Auditor's Comments*

1. The timeliness of deposits is but one of several concerns auditors identified regarding the Regional Office's controls over receipts. The Regional Office has not established a policy regarding the timeliness of deposits to guide its operations. Auditors are recommending that the Regional Office examine its deposit practices and develop the requisite policies and procedures for staff to follow and set timelines for the deposit of receipts.
  
2. The Regional Office has a fiduciary responsibility to its constituency, including the adequate control and safeguarding of receipts. As the finding notes, auditors identified several areas where such controls need to be strengthened. Inadequate controls over receipts can lead to results that are inconsistent with the public's best interest.

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
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. 05-3 - Inadequate Segregation of Duties (Repeated from 2004 and 2003 - Finding Nos. 04-2 and 03-3)**

*Criteria/Specific Requirements:*

Sound internal controls require adequate segregation of duties to ensure that effective checks and balances are in place to minimize the risk of loss.

*Condition:*

The bookkeeper for the local and distributive funds performs the disbursement functions of invoice processing, check preparation, custodian of blank checks, recording transactions, and bank reconciliations. The bookkeeper also performs the functions of collecting cash, depositing, and recording of cash receipts.

*Effect:*

Inadequate segregation of duties increases the risk that errors or irregularities may occur and not be detected promptly.

*Cause:*

The Grundy/Kendall Counties Regional Office of Education No. 24 has limited staff to provide for adequate segregation of duties.

*Auditor's Recommendation:*

The Grundy/Kendall Counties Regional Office of Education No. 24 should require bank reconciliations to be performed by staff independent of the cash receipts and disbursement functions for the same fund. The ROE should also review the current staff workload and assign the more critical functions to different individuals. If this is not possible, supervisory controls should be strengthened. Supervisory controls could include performing periodic checks on cash receipts and deposits as well as disbursement documentation. Approvals of bank reconciliations and other reports prepared by the bookkeepers should be formally documented to evidence the supervisory controls.

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
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. 05-3 - Inadequate Segregation of Duties (Repeated from 2004 and 2003 - Finding Nos. 04-2 and 03-3) (Continued)**

*Management's Response:*

Division of duties has been, is, and will continue to be a problem for this particular ROE.

Background: In 1978, prior to the consolidation of the two counties (a state mandated move to improve efficiency), there were two Regional Superintendents, two Assistant Regional Superintendents, two secretaries, one secretary/bookkeeper, and one bookkeeper to serve a student population of approximately 12,000 and the concomitant number of teachers, buildings, and general population. Today, there is one Regional Superintendent, one Assistant Regional Superintendent, two secretaries, and one bookkeeper to serve a student population of 31,000 students and the concomitant number of teachers, buildings, and general population. Compounding the increase in population is the additional state-imposed duties which of course are not funded.

For example, certification is now handled almost entirely by the ROE. ROE staff not only processes certificate applications but does all of the data entry and in some instances even prints certificates and approvals on site, as well as interpreting transcripts and materials submitted and advising applicants. Although the State Board of Education has provided the computer program, none of the certificate fees remains with the ROE. All fees are sent to ISBE. A reasonable table of fees should remain with the ROE in an effort to assist with the ever-recurring problem of division of duties.

Obtaining financial support from the counties is not an easy task.

It should be noted that the Regional Superintendent does check, approve and initial bills and vouchers for payment at the main office in Morris. The Assistant Regional Superintendent does the same in the Yorkville office. This practice was instituted after receipt of the last audit as finalized.

Additionally, the Regional Superintendent does periodically review cash receipts and the Assistant Regional Superintendent does review bank reconciliations.

If the auditors will be specific and show us in person what it is we are not doing and show us specifically what it is they want, the ROE is willing to do whatever will assist in allaying concern for lack of supervision. *(See Auditor's Comment below)*

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
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. 05-3 - Inadequate Segregation of Duties (Repeated from 2004 and 2003 - Finding Nos. 04-2 and 03-3) (Continued)**

*Auditor's Comment*

The auditor's recommendation does detail specific actions that the Regional Office can take to help address the lack of segregation of duties. For example, the auditors recommend that the Regional Superintendent could conduct periodic checks on cash receipts and deposits. In his response, the Regional Superintendent states that such checks are performed; however, auditors did not find formal documentation to evidence this supervisory control. Furthermore, the responsibility for establishing a system of adequate internal controls is management's responsibility (i.e., the Regional Superintendent), not the auditor's.

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
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. 05-4 - Failure to Fully Secure and Collateralize Cash Balance in Excess of \$100,000**

*Criteria/Specific Requirements:*

The Public Funds Deposit Act (30 ILCS 225/1) gives the authorization for deposits in excess of the federally insured limit to be covered by pledged collateral held by the financial institutions' trust departments in the Regional Office of Education No. 24's name. In addition, prudent business practice requires that all cash and investments held by financial institutions for the ROE be adequately covered by depository insurance or collateral.

*Condition:*

As of June 30, 2005, cash account balances of five accounts with one bank totaled \$648,982. The Federal Deposit Insurance Corporation (FDIC) covers up to a maximum of \$100,000. Additional collateral totaling \$500,000 was received as of June 30, 2005. No additional collateral was obtained for the balance of \$48,982.

*Effect:*

Failure to secure full collateral on cash and investment balances may result in monetary losses to the ROE.

*Cause:*

According to the ROE management, the collateral/pledge agreement has been requested but not yet finalized with the bank as of June 30, 2005.

*Auditors' Recommendation:*

The Grundy/Kendall Counties Regional Office of Education No. 24 should monitor collateral requirements for its bank accounts. The ROE should also establish controls for confirming amounts pledged by the bank and consider making a formal arrangement with the bank to automatically pledge securities for any deposit amounts in excess of the FDIC insured amount.

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
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. 05-4 - Failure to Fully Secure and Collateralize Cash Balance in Excess of \$100,000** (Continued)

*Management's Response:*

The ROE was under the impression that *each* account was insured up to \$100,000 and that the additional collateral received from the bank were sufficient. We will make a formal arrangement with the banks to automatically pledge securities for any deposit amounts in excess of the FDIC insured amount.

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**Part III: Findings and Questioned Costs for Federal Awards**

**INSTANCES OF NON-COMPLIANCE:**

None

**REPORTABLE CONDITIONS:**

None

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
JUNE 30, 2005**

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

*Condition:*

Grundy/Kendall Counties Regional Office of Education No. 24 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 Superintendent will continue to operate as has been the custom over the years. The Annual Financial Reports referred to above are prepared by certified public accountants based upon bona fide audits conducted by them. These auditors, while being engaged by the respective school districts at the expense of the school districts, are, in effect, extensions of the Regional Offices of Education in the same way that the auditors conducting this audit are extensions of the Illinois Auditor General's Office.

To conduct the type of review and examination inferred by the current statute as well as its interpretation in the current audit would require additional qualification for holding office as a Regional Superintendent, namely, that he/she be a qualified/certified public accountant.

Either the law must be changed or its interpretation be revisited. *(See Auditor's Comment below)*

*Anticipated Completion Date:*

This is dependent upon a revision of 105 ILCS 5/3-14.11 or its interpretation.

*Name of Contact Person:*

Thomas J. Centowski  
Regional Superintendent of Schools  
(815) 941-3247



**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
JUNE 30, 2005**

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

*Auditor's Comment*

There is one important difference between audits of school districts and audits of Regional Offices of Education. In audits of school districts, **the auditee - the school district - selects** and pays the auditor. In audits of Regional Offices of Education, **the auditee - the Regional Office - does NOT select** and pay for the audit. Rather, the Office of the Auditor General selects and pays the auditors of Regional Offices of Education.

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
JUNE 30, 2005**

**FINDING NO. 05-2 - Inadequate Controls Over Cash (Repeated from 2004 and 2003 - Finding Nos. 04-1 and 03-2)**

*Condition:*

For the Local ROE Funds, daily cash receipts are recorded daily in a weekly cash receipts log. These weekly cash receipts logs are then grouped together to create a deposit batch. We tested 19 deposit batches that included 81 weekly cash receipt logs. We noted the following:

- 3 of 19 (16%) deposit batches totaling \$28,224 did not match the amounts of the supporting documents totaling \$28,349. The shortage of \$125 could not be accounted for.
- 4 of 19 (21%) deposit batches totaling \$2,421 did not have supporting documents to verify the nature, source, amount and date of actual receipts.
- 1 of 19 (5%) deposit batches which had a cash receipts log amounting to \$223 was not dated and signed by the staff receiving the items. The corresponding deposit slip covering this receipt log reflected a total deposit of \$228, with an overage of \$5 that could not be accounted for.
- Personal checks totaling \$646 were issued to replace cash items in 8 instances.
- 15 of 19 (79%) deposit batches representing receipt of GED and miscellaneous fees and teacher certification fees totaling \$16,696 were not deposited timely from the receipt date as follows:

No. of Days from Receipt Date	GED/Misc. Fees	Teacher Certification Fees	Total
6-15	\$ 50	\$ 9,479	\$ 9,529
16-30	2,970	3,020	5,990
Over 31	1,177	-	1,177
	<u>\$ 4,197</u>	<u>\$ 12,499</u>	<u>\$ 16,696</u>

During our testing of disbursements and expenditures for the local ROE funds, we noted that personal items totaling \$90 were included in the ROE purchases in 2 instances. Personal checks were issued to cover these items. One check for \$25 was paid directly to the vendor and another check for \$65 was issued to the ROE to reimburse them for these items. The person ordering the personal items is the same person processing the invoices for payment.

We also noted that checks were not used sequentially and there is no formal monitoring of issuance of pre-numbered blank checks.

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24**  
**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS**  
**JUNE 30, 2005**

**FINDING NO. 05-2 - Inadequate Controls Over Cash (Repeated from 2004 and 2003 - Finding Nos. 04-1 and 03-2) (Continued)**

In our test of bank reconciliations, we identified a certificate of deposit amounting to \$10,000 that was not initially recorded in the general ledger as of June 30, 2005.

*Plan:*

Every effort will be made to avoid shortage such as reported. This has never occurred before and cannot be explained at this time.

Every effort will be made to carefully date, note, and deposit all cash received. Changes were implemented at the recommendations of the auditors based upon findings of the previous year. However, the lag time as addressed above needs to be taken into consideration.

The Regional Superintendent does check, approve and initial bills and vouchers for payment at the main office in Morris. The Assistant Regional Superintendent does the same in the Yorkville office. This practice was instituted after receipt of the last audit as finalized.

As to the ensuring that receipts are adequately supported to identify the actual date of receipt and the nature and source of the receipt in order to monitor timeliness of deposits and accuracy of revenue recording, a new procedure has been implemented for the recording of cash receipts which will, hopefully, satisfy the concerns of the auditor.

The practice of covering cash with personal checks has been discontinued as well as allowing staff to include personal purchases with office purchases.

Every effort will be made to provide a more timely deposit of funds within ability of staff, time and distance. As pointed out in the management's response, there is a dilemma as regards service to constituents and good auditing/accounting practice. The concern here is acting according to legal requirements vs. best practice.

A log to monitor issuance of pre-numbered checks has already been created.

As for the oversight of initially recording a certificate of deposit in the amount of \$10,000, this oversight on the bookkeeper's part in rebuilding the computerized books must be taken into account. Every effort to avoid such oversight in the future will be taken.

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
JUNE 30, 2005**

**FINDING NO. 05-2 - Inadequate Controls Over Cash (Repeated from 2004 and 2003 -  
Finding Nos. 04-1 and 03-2) (Continued)**

*Anticipated Completion Date:*

Some items have already been addressed and others will be addressed as they occur and are able to be addressed as practical.

*Name of Contact Person:*

Thomas J. Centowski  
Regional Superintendent of Schools  
(815) 941-3247

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
JUNE 30, 2005**

**FINDING NO. 05-3 - Inadequate Segregation of Duties (Repeated from 2004 and 2003 - Finding Nos. 04-2 and 03-3)**

*Condition:*

The bookkeeper for the local and distributive funds performs the disbursement functions of invoice processing, check preparation, custodian of blank checks, recording transactions, and bank reconciliations. The bookkeeper also performs the functions of collecting cash, depositing, and recording of cash receipts.

*Plan:*

The ROE No. 24 works at the disadvantage pointed out in the management's response. By analogy, it operates in much the same way as a smaller school district which may have only one secretary/bookkeeper.

However, procedures will be reviewed again and with specific direction in person from the auditor will implement whatever additional measures should be taken to achieve best accounting practices.

There is, to some extent, a division of duties insofar as secretaries also collect cash and record cash receipts when dealing with walk-in and mail-in customers.

The Regional Superintendent will continue, as he has since the previous final report, to review/approve vouchers for payment, cash receipts, etc. The Assistant Superintendent, as he has since the previous final audit report, will do the same in the auxiliary office as well as review bank reconciliations. Neither however, will actually perform bank reconciliations. That is the job of the bookkeeper.

A log recording issuance of blank pre-numbered checks has already been created.

*Anticipated Completion Date:*

As soon as possible with assistance from the auditor.

*Name of Contact Person:*

Thomas J. Centowski  
Regional Superintendent of Schools  
(815) 941-3247

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
JUNE 30, 2005**

**FINDING NO. 05-4 - Failure to Fully Secure and Collateralize Cash Balance in Excess of \$100,000**

*Condition:*

As of June 30, 2005, cash account balances of five accounts with one bank totaled \$648,982. The Federal Deposit Insurance Corporation (FDIC) covers up to a maximum of \$100,000. Additional collateral totaling \$500,000 was received as of June 30, 2005. No additional collateral was obtained for the balance of \$48,982.

*Plan:*

The ROE No. 24 will make a formal arrangement with the banks to automatically pledge securities for any deposit amounts in excess of the FDIC insured amount.

*Anticipated Completion Date:*

By the end of June 30, 2006.

*Name of Contact Person:*

Thomas J. Centowski  
Regional Superintendent of Schools  
(815) 941-3247

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2005**

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
04-1	Insufficient Documentation for Receipts and Disbursements	Repeated as Finding 05-2
04-2	Inadequate Segregation of Duties	Repeated as Finding 05-3
04-3	Noncompliance with State Mandates	Resolved





**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

The Grundy/Kendall Counties Regional Office of Education No. 24 (ROE No. 24) 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. 24's financial statements that follow.

**2005 Financial Highlights**

- Within the Governmental Funds, the General Fund revenues decreased by \$8,626 (2%) from \$377,311 in FY 2004 to \$368,685 in fiscal year 2005. General Fund expenditures decreased by \$17,295 (5%) from \$372,940 in FY 2004 to \$355,645 in FY 2005.
- Within the Governmental Funds, the Special Fund revenue increased by \$712,080 (24%) from \$3,001,379 in FY 2004 to \$3,713,459 in FY 2005. The Special Fund expenditures increased by \$963,225 (34%) from \$2,835,042 in FY 2004 to \$3,798,267 in FY 2005.
- The Enterprise Fund revenues increased by \$1,590 (16%) from \$9,739 in FY 2004 to \$11,329 in FY 2005. The Enterprise Fund expenditures increased by \$3,434 (28%) from \$12,298 in FY 2004 to \$15,732 in FY 2005.
- The ROE No. 24 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 ROE No. 24'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. 24 as a whole and present an overall view of the Office's finances.
- *Fund financial statements* report the ROE No. 24'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 supplementary information provides detailed information about the non-major funds.

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

**Reporting the Grundy/Kendall Counties Regional Office as a Whole**

It is important to note that the ROE No. 24 is reported together with the following component units: Education Service Network and Community Works Foundation, Inc.

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

The Government-wide statements report information about the ROE No. 24 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 Regional Office's overall health, additional non-financial factors, such as new laws, rules, regulations, and actions by officials at the state level need to be considered.

**Fund Financial Statements**

The fund financial statements provide detailed information about the ROE No. 24'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. 24 established other funds to control and manage money for particular purposes.

The Office has three kinds of funds:

- (1) Governmental funds account for those funds through which most governmental functions of the Office are financed. 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 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 Fund.

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

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

- (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. The proprietary funds required financial statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets and Statement of Cash Flows.
- (3) Fiduciary funds are used to account for assets held by the ROE No. 24 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. 24. The net assets at the end of FY 2005 totaled \$254,244. At the end of FY 2004, the net assets were \$345,467. The analysis that follows provides a summary of the ROE No. 24's net assets as of June 30.

CONDENSED STATEMENT OF NET ASSETS

	<b>2005</b>	<b>2004</b>
Current assets	\$ 648,077	\$ 456,007
Capital assets, net of depreciation	57,716	43,862
Total assets	<u>705,793</u>	<u>499,869</u>
Current liabilities	<u>451,549</u>	<u>154,402</u>
Net assets:		
Invested in capital assets, net of related debt	57,716	43,862
Unrestricted	196,528	301,605
Total net assets	<u>\$ 254,244</u>	<u>\$ 345,467</u>

The ROE No. 24's net assets decreased by \$91,223 (26%) from FY 2004. There had been no significant changes in revenues and expenses in fiscal year 2005.

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

CHANGES IN NET ASSETS

	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 61,619	\$ 40,160
Operating grants and contributions	3,631,472	2,995,859
General revenues:		
On-behalf payments	288,979	269,430
Local sources and others	82,497	111,886
Total revenues	<u>4,064,567</u>	<u>3,417,335</u>
Expenses:		
Program expenses:		
Instructional services	3,866,811	2,945,393
Administrative	288,979	269,430
Total expenses	<u>4,155,790</u>	<u>3,214,823</u>
Change in net assets	(91,223)	202,512
Net assets beginning of year	<u>345,467</u>	<u>142,955</u>
Net assets end of year	<u>\$ 254,244</u>	<u>\$ 345,467</u>

**Governmental Activities**

Revenues for governmental activities were \$4,082,144 and expenditures were \$4,153,912. The ROE No. 24 did not fill some vacant job positions and transferred funds from savings (investments) to pay for current expenses. While the transfers resolved current expense requirements, the continued practice of such an approach will impact the financial health of the agency by eroding fund reserves.

**Financial Analysis of the ROE No. 24 Funds**

As previously noted, the ROE No. 24 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency's Governmental Funds reported combined fund balances were \$198,597.

**Governmental Fund Highlights**

- The Governor of the State of Illinois line item vetoed a portion of the state financial support for school services.
- The dollar return on investments (certificate of deposit, short-term investments and interest earned on a float), were reduced because of the low interest rates.
- County support for the ROE No. 24 remained at the same funding level.

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

- There was an increase in the state aid foundation level to \$4,964 per student from \$4,810. This helped to off-set the reduction in the grant dollars provided for the Safe Schools Program.

**Proprietary Fund Highlights**

Total proprietary fund net assets decreased by \$4,403 (189%) due to increase in liabilities. The increase in the proprietary funds operating loss is due to additional purchased services incurred.

**Fiduciary Fund Highlights**

There was an increase of \$8,895 (10%) in total fiduciary funds for FY 2005. Transactions during FY 2005 represent mainly transfers in and out of funds for the Distributive Fund.

**Budgetary Highlights**

The ROE No. 24 annually adopts budgets for several funds. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the County Boards for their approval. The Office Operations Budget covers a fiscal year which runs from December 1 to November 30. All grant budgets are prepared by the Regional Office of Education No. 24 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency.

**Capital Assets**

ROE No. 24's capital assets include office equipment, computers, audio-visual equipment, and building improvements. The ROE No. 24 maintains an inventory of capital assets which have been accumulated over time. The ROE No. 24 adopted a capitalization and depreciation threshold of \$5,000 for GASB 34. For FY 2005, total additions amounted to \$22,450 and there were no retirements. Depreciation expense for FY 2005 was \$8,596.

**Economic Factors and Next Years' Budget**

At the time these financial statements were prepared and audited, the ROE No. 24 was aware of several existing circumstances that could affect its financial condition in the future:

- The interest rate on investments remains low and will impact interest earned.
- County Board support for ROE No. 24 remains the same for FY 2006.

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

**Contacting the Regional Office's Financial Management**

This financial report is designed to provide the ROE No 24'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. 24 at 1320 Union Street, Morris, Illinois 60450.

## **BASIC FINANCIAL STATEMENTS**

GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2005

EXHIBIT A

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 207,157	\$ 5,277	\$ 212,434
Due from other funds	5,607	(5,607)	-
Due from other governmental units	435,643	-	435,643
Total current assets	<u>648,407</u>	<u>(330)</u>	<u>648,077</u>
<b>Noncurrent assets</b>			
Capital assets, net	<u>57,716</u>	<u>-</u>	<u>57,716</u>
<b>TOTAL ASSETS</b>	<u>706,123</u>	<u>(330)</u>	<u>705,793</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	440,297	1,739	442,036
Deferred revenues	9,513	-	9,513
<b>TOTAL LIABILITIES</b>	<u>449,810</u>	<u>1,739</u>	<u>451,549</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	57,716	-	57,716
Unrestricted	<u>198,597</u>	<u>(2,069)</u>	<u>196,528</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 256,313</u>	<u>\$ (2,069)</u>	<u>\$ 254,244</u>

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



GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2005

EXHIBIT B

	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contribution	Primary Government		Total
				Governmental Activities	Business-Type Activities	
<b>FUNCTIONS/PROGRAMS</b>						
<b>Primary government</b>						
<b>Governmental activities:</b>						
<b>Instructional services</b>						
Salaries	\$ 1,951,643	\$ -	\$ 1,878,081	\$ (73,562)	\$ -	\$ (73,562)
Benefits	572,365	-	550,791	(21,574)	-	(21,574)
Purchased services	799,205	50,924	681,382	(66,899)	-	(66,899)
Supplies and materials	214,019	179	205,869	(7,971)	-	(7,971)
Capital expenditures	55,631	-	75,138	19,507	-	19,507
Depreciation expense	8,596	-	-	(8,596)	-	(8,596)
Payments to other governmental units	249,620	-	240,211	(9,409)	-	(9,409)
<b>Administrative</b>						
On-behalf payments	288,979	-	-	(288,979)	-	(288,979)
<b>Total governmental activities</b>	<b>4,140,058</b>	<b>51,103</b>	<b>3,631,472</b>	<b>(457,483)</b>	<b>-</b>	<b>(457,483)</b>
<b>Business-type activities:</b>						
Local workshops	15,732	10,516	-	-	(5,216)	(5,216)
<b>Total business-type activities</b>	<b>15,732</b>	<b>10,516</b>	<b>-</b>	<b>-</b>	<b>(5,216)</b>	<b>(5,216)</b>
<b>Total primary government</b>	<b>\$ 4,155,790</b>	<b>\$ 61,619</b>	<b>\$ 3,631,472</b>	<b>(457,483)</b>	<b>(5,216)</b>	<b>(462,699)</b>

<b>General revenues:</b>			
State sources	29,705	-	29,705
Local sources	50,001	-	50,001
Interest income	1,978	813	2,791
On-behalf payments	288,979	-	288,979
<b>Total general revenues</b>	<b>370,663</b>	<b>813</b>	<b>371,476</b>
<b>Change in net assets</b>	<b>(86,820)</b>	<b>(4,403)</b>	<b>(91,223)</b>
<b>Net assets - beginning</b>	<b>343,133</b>	<b>2,334</b>	<b>345,467</b>
<b>Net assets - ending</b>	<b>\$ 256,313</b>	<b>\$ (2,069)</b>	<b>\$ 254,244</b>

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

GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2005

EXHIBIT C

	General Fund	Education Fund	Institute Fund	Other Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 22,457	\$ 4,467	\$ 151,901	\$ 28,332	\$ 207,157
Due from other funds	3,607	-	2,000	-	5,607
Due from other governmental units	-	435,643	-	-	435,643
<b>TOTAL ASSETS</b>	<b>26,064</b>	<b>440,110</b>	<b>153,901</b>	<b>28,332</b>	<b>648,407</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	-	440,297	-	-	440,297
Deferred revenues	-	-	9,513	-	9,513
Total liabilities	-	440,297	9,513	-	449,810
<b>FUND BALANCES</b>					
Unreserved, reported in:					
General fund	26,064	-	-	-	26,064
Special revenue funds	-	(187)	144,388	28,332	172,533
Total fund balances	26,064	(187)	144,388	28,332	198,597
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 26,064</b>	<b>\$ 440,110</b>	<b>\$ 153,901</b>	<b>\$ 28,332</b>	<b>\$ 648,407</b>

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

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2005**

**EXHIBIT D**

Total fund balances - governmental funds	\$	198,597
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>57,716</u>
Net assets of governmental activities	\$	<u><u>256,313</u></u>

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

GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Education Fund	Institute Fund	Other Non-Major Funds	Total Governmental Funds
<b>REVENUES</b>					
Federal sources	\$ -	\$ 1,242,666	\$ -	\$ -	\$ 1,242,666
State sources	29,705	2,388,322	-	2,600	2,420,627
On-behalf payments	288,979	-	-	-	288,979
Local sources					
Services	50,001	-	41,596	9,507	101,104
Intergovernmental	-	26,790	-	-	26,790
Interest	-	1,754	195	29	1,978
Total revenues	368,685	3,659,532	41,791	12,136	4,082,144

<b>EXPENDITURES</b>					
Current :					
Instructional Services:					
Salaries	-	1,951,643	-	-	1,951,643
Benefits	-	572,365	-	-	572,365
Purchased services	66,666	708,070	14,556	9,913	799,205
Supplies and materials	-	213,933	-	86	214,019
Capital expenditures	-	78,081	-	-	78,081
Payments to other governmental units	-	249,620	-	-	249,620
On-behalf payments	288,979	-	-	-	288,979
Total expenditures	355,645	3,773,712	14,556	9,999	4,153,912

<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	13,040	(114,180)	27,235	2,137	(71,768)
<b>FUND BALANCES, UNRESERVED, BEGINNING OF YEAR</b>	13,024	113,993	117,153	26,195	270,365
<b>FUND BALANCES (DEFICIT), UNRESERVED END OF YEAR</b>	\$ 26,064	\$ (187)	\$ 144,388	\$ 28,332	\$ 198,597

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

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
 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 \$ (71,768)

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

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

Capital outlay	\$ 22,450	
Depreciation expense	<u>(8,596)</u>	13,854

Receipts deferred in the governmental funds but recognized in government-wide financial statements in prior year.		<u>(28,906)</u>
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Change in net assets of governmental activities		<u><u>\$ (86,820)</u></u>
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*The notes to the financial statements are an integral part of this statement.*

GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2005

EXHIBIT G

	<u>Business-Type Activities - Enterprise Fund Local Revenues</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>5,277</u>
<b>LIABILITIES</b>	
Accounts payable	1,739
Due to other funds	<u>5,607</u>
Total liabilities	<u>7,346</u>
<b>NET ASSETS</b>	
Unrestricted	\$ <u><u>(2,069)</u></u>

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

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED JUNE 30, 2005**

**EXHIBIT H**

	<u>Business-Type Activities - Enterprise Fund</u> <u>Local Revenues</u>
<b>OPERATING REVENUES</b>	
Local sources	\$ 10,516
<b>OPERATING EXPENSES</b>	
Purchased services	12,817
Supplies and materials	2,915
Total operating expenses	<u>15,732</u>
<b>OPERATING LOSS</b>	(5,216)
<b>NONOPERATING REVENUES</b>	
Interest income	<u>813</u>
<b>LOSS AFTER NONOPERATING REVENUES</b>	(4,403)
<b>TOTAL NET ASSETS, July 1, 2004</b>	<u>2,334</u>
<b>TOTAL NET ASSETS, June 30, 2005</b>	<u><u>\$ (2,069)</u></u>

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

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

**EXHIBIT I**

	<u>Business-Type Activities - Enterprise Fund</u> <u>Local Revenues</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts for workshops and services	\$ 10,516
Payments to suppliers and providers of goods and services	(8,386)
Net cash provided by operating activities	<u>2,130</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest	813
Net cash provided by investing activities	<u>813</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,943
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,334</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 5,277</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (5,216)
Adjustments to reconcile loss to net cash provided by operating activities:	
Effects of changes in assets and liabilities:	
Accounts payable	1,739
Due to other funds	5,607
Net cash provided by operating activities	<u><u>\$ 2,130</u></u>

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



**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
JUNE 30, 2005**

**EXHIBIT J**

**ASSETS**

Cash and cash equivalents

\$ 100,623

**LIABILITIES**

Due to other governmental units

\$ 100,623

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

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

A. Reporting Entity

Grundy/Kendall Counties Regional Office of Education No. 24 operates under the School Code (Articles 3 and 3A of Illinois Compiled Statutes, Chapter 105). Grundy/Kendall Counties Regional Office of Education No. 24 encompasses Grundy/Kendall Counties, Illinois. A Regional Superintendent of Schools serves as chief administrative officer of Grundy/Kendall Counties Regional Office No. 24, and is elected pursuant to Article 3 of Illinois Compiled Statutes, Chapter 105. The principal financial duty of the Regional Superintendent is to receive and distribute monies due to school districts from general state aid, state categorical grants and various other sources.

The Regional Office of Education has developed criteria to determine whether outside agencies with activities which benefit the citizens of Grundy/Kendall Counties, including school districts which serve pupils in Grundy/Kendall Counties Regional Office of Education No. 24, should be included within its financial reporting entity. The criteria include but are not limited to, whether Grundy/Kendall Counties Regional Office of Education No. 24 exercises oversight responsibility, (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

*Blended Component Units*

The following component units are entities which are legally separate from Grundy/Kendall Counties Regional Office of Education No. 24, but are so intertwined with the Region that they are, in substance, the same as the Region. They are reported as part of Grundy/Kendall Counties Regional Office of Education No. 24 and blended into the appropriate funds.

Grundy/Kendall Counties Regional Office of Education No. 24 acts as the administrative agent for the Grundy/Kendall Counties Regional Office of Education No. 24 Service Network (Network), which oversees the operations of several educational programs for the region. The Network has no governing body and all program budgets are approved by the Grundy/Kendall Counties Regional Office of Education No. 24. The Network has been determined to be a component unit of Grundy/Kendall Counties Regional Office of Education No. 24.

On January 10, 2000, The Community Works Foundation, Inc. was incorporated as a not-for-profit corporation in the State of Illinois exclusively for charitable and educational purposes within the meaning of Section 501 (c)(3) of the Internal Revenue Code. Further,

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

The Community Works Foundation, Inc. is organized and operated for purposes that are beneficial to the public interest, such as advancement of education; combating community deterioration and juvenile delinquency; and relief of the poor, distressed or underprivileged. Per the corporation's by-laws, the Regional Superintendent of Education for Grundy/Kendall Counties shall always serve as the President of the Board of Directors and the Assistant Regional Superintendent of Education for the Grundy/Kendall Counties shall always serve as Vice-President.

Grundy/Kendall Counties Regional Office of Education No. 24 does not consider any other entities to be part of its reporting entity. Additionally, Grundy/Kendall Counties Regional Office of Education No. 24 does not consider itself to be a part of the County's or any other government's reporting entity.

**B. 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 or applicants 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. Other 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. Local Revenue and Will County ROE Interest fund activities have been classified and reported in prior years as special revenue funds and are currently classified and reported as proprietary funds.

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

C. Change in Accounting Principles

Effective July 1, 2004, the Grundy/Kendall Counties Regional Office of Education No. 24 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 Grundy/Kendall Counties Regional Office of Education No. 24's financial statements.

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

The financial statements of Grundy/Kendall Counties Regional Office of Education No. 24 are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Grundy/Kendall Counties Regional Office of Education No. 24 applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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 items are recognized as revenue as soon as 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. The Grundy/Kendall Counties Regional Office of Education No. 24 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 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.

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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 the government-wide financial statements to the extent that those standards do not conflict with or contradict the guidance of the Governmental Accounting Standards Board.

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 of the Grundy/Kendall Counties Regional Office of Education No. 24 are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. The Grundy/Kendall Counties Regional Office of Education No. 24 maintains individual funds as required by the State of Illinois. The resources are allocated to and accounted for in individual funds 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 types in the basic financial statements. The following summarizes the fund types used:

**Governmental Fund Types**

Governmental Funds are those 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:

General Fund - The general fund is used to account for all the financial resources except those required to be accounted for in another fund. The general fund is reported as a major governmental fund in the financial statements.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts) that are legally restricted to expenditures for specified purposes. Grundy/Kendall Counties Regional Office of

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

Education No. 24 reported the following special revenue funds as major governmental funds:

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

Education Fund - Accounts for grant funds which are restricted as to their use. Education funds include:

FY 2004 Title IV - Community Service - Accounts 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.

Will Community Service - Accounts 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.

Teen Reach - Housing Authority of Joliet - Accounts for monies received for, and payment of expenditures for, the Teen Reach program. This program consists of educational, recreational and vocational activities designed to improve youth's chances for success.

Will State Aid - Accounts for grant monies received for, and payment of expenditures for, regional learning academy supplements.

Grundy/Kendall State Aid - Accounts for grant monies received for, and payment of expenditures for, Regional Learning Academy supplements.

Learn and Serve America - Accounts for grant monies received for, and payment of, expenditures for the Learn and Serve program.

Title IV - 21st Century Community Learning Centers - Accounts for monies received for, and payment of expenditures for, the 21<sup>st</sup> Century Learning Centers Grant. The purpose of this grant is to create community learning centers that provide academic enrichment opportunities for children, particularly students who attend high-poverty and low performing schools.

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

Workforce Investment Act (WIA) - In School - Kendall - Accounts for monies received for, and payment of expenditures for, the Workforce Investment Act through Kendall County. This program provides basic math, reading and employment readiness skills to youth.

Will County Alternative Program - Accounts for grant monies received for, and payment of expenditures for, the Regional Safe Schools Program under Will County.

Regional Safe Schools - Accounts for the administration of monies to be used for the Regional Safe Schools Program Fund received from the Illinois State Board of Education.

Workforce Investment Act (WIA) - Premier Youth - Accounts for monies received for, and payment of expenditures for, the Workforce Investment Act through the Department of Human Services.

Teen Reach - Accounts for monies received for, and payment of expenditures for, the Teen Reach program. This program consists of educational, recreational and vocational activities designed to improve youth's chances for success.

No Tolerance Task Force - Accounts for monies received for, and payment of expenditures for, the No Tolerance Task Force. This program is a community partnership for zero tolerance against drug abuse and gangs.

Early Childhood - Accounts for grant monies received for, and payment of, expenses for developing and operating programs for parents of young children.

Peer Leadership - Accounts for local revenue, which consists mainly of donations, to fund middle school programs in the Romeoville/Bolingbrook area.

Addiction Prevention - Comprehensive - Accounts for grant monies received for, and payment of expenditures for, youth training in community service, ATOD (alcohol, tobacco and other drugs) prevention, and anti-social behavior programs sponsored by the Department of Human Services.

Addiction Prevention - In-Touch - Accounts for grant monies received for, and payment of expenditures for statewide prevention network assisting

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schools and communities with ATOD programming, sponsored by the Department of Human Services.

Truants Alternative Optional Education Program (TAOEP) - Accounts for grant monies received for, and payment of expenditures for TAOEP. This program provides assistance to students and families when students have excessive absenteeism.

Title IV - Safe & Drug-Free Schools - Formula - Accounts for grant monies received for, and payment of expenditures for instructional program/materials for a support group for children of chemical-dependent parents.

Federal Drug-Free Communities - Accounts for grant monies received for, and payment of expenditures for a program to reduce substance abuse among youth and to strengthen anti-drug coalitions.

Department of Commerce and Economic Opportunity - Accounts for grant monies received for, and payment of expenditures for instructional costs for computer skills training at community technology centers.

Even Start - Accounts for the local grant monies received for, and payment of, expenditures incurred for the Even Start program.

Chemical Abuse Services Program - Accounts for the grant monies received for, and payment of, expenditures incurred for the Parent Involvement Strategies in Relation to Botvin's *LifeSkills* program.

Other Non-Major Funds - Grundy/Kendall Counties Regional Office of Education No. 24 reported the following special revenue funds as non-major governmental funds:

General Education Development (GED) - Accounts for the administration of the GED Testing Program. Revenues consist of fees collected for testing, diplomas and materials.

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

Supervisory - Accounts for State funding used to pay expenses for supervision of school districts in the jurisdiction.

Postage - Accounts for the revenues and expenses associated with postage fund.



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Will/Grundy Counties Local Area Network - Accounts for the revenues and expenses associated with Will/Grundy Counties Local Area Network fund.

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

Local Revenues - Account for the revenues and expenses associated with workshops put on by the ROE.

Fiduciary Fund Types

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 - Agency funds generally are used to account for assets held on behalf of others as their agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. Grundy/Kendall Counties Regional Office of Education No. 24 maintains the following Agency Funds:

Distributive - Accounts for funds received and disbursed as a result of the Superintendent's responsibility to receive and distribute to treasurers of school districts and other agencies, monies due them from general state aid, state categorical grants, and various other sources.

Outdoor Education Cooperative - Accounts for funds received and disbursed for the Outdoor Education Cooperative.

Payroll - Accounts 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.

County Board of Trustees - Accounts for funds received and disbursed by the Superintendent as administrative agent for the County Board of Trustees.

**F. 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.

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Non-exchange transactions, in which the ROE receives value without directly giving value in return, includes 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.

G. Cash and Cash Equivalents

For presentation in the financial statements, investments with an original maturity of three months or less at the time they are purchased by the ROE are considered to be cash equivalents. Investments with an original maturity of more than three months is reported as investments.

H. Capital Assets

Capital assets results 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 the 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 (five to twenty years) of the respective assets.

I. 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.

J. 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.

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*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.

K. Management Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

L. Revenue from Federal and State Grants

Revenues from federal and State grant awards are recorded net of the amount due to the State for the unused portion of the grant or the amount carried over to the following fiscal year project. Amounts due to the State or carried over to the following year project are recorded as liabilities.

M. Budgets and Budgetary Accounting

The Grundy/Kendall Counties Regional Office of Education No. 24 did not formally adopt a budget for the year ended June 30, 2005 and is not legally required to do so. The Illinois State Board of Education requires budgets for certain State and Federal programs. These budgets were used to prepare budgetary comparison schedules for the following programs:

Special Revenue Funds:

- Regional Safe Schools
- Early Childhood
- Truants Alternative/Optional Education
- Even Start
- Title IV - Safe and Drug-Free Schools - Formula

N. Interest Revenue

Interest earned in the ISBE Distributive Fund (an agency fund) by Grundy/Kendall Counties Regional Office of Education No. 24 on Illinois State Board of Education (ISBE) receipts is divided among the recipients of ISBE funds within Grundy/Kendall Counties Regional Office of Education No. 24 based on a written agreement which specifies the method for distribution of interest earnings.

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**NOTE 2 - CASH AND INVESTMENTS**

The Grundy/Kendall Counties Regional Office of Education No. 24 utilizes several different bank accounts for its various activities. The book balance of such accounts is \$313,057 at June 30, 2005, while the bank balance was \$795,315. 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 Grundy/Kendall Counties Regional Office of Education No. 24 in its name.

Category 2 includes deposits covered by collateral held by the financial institutions in a pledged safekeeping account in the name of Grundy/Kendall Counties Regional Office of Education No. 24.

Category 3 includes deposits which are uncollateralized or the collateral is held by the financial institution trust department but not in the name of Grundy/Kendall Counties Regional Office of Education No. 24.

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 of 1 and 2 have been determined under GASB Statement No. 40 to be exposed to only minimal risk, and, based on this conclusion, the 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:

	<b>Bank Balance</b>
Category 1	\$ 241,166
Category 2	503,272
Category 3	48,982
Exempt	1,895
	\$ 795,315
<b>Total</b>	<b>\$ 795,315</b>

The exempt funds are those deposited into the Illinois Funds.

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24**  
**NOTES TO FINANCIAL STATEMENTS**  
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Investments

The ROE's established investment policy follows the State of Illinois Public Funds Investment Act which authorizes the ROE to purchase certain obligations of the U.S. Treasury, federal agencies and instrumentalities; certificates of deposit and time deposits covered by Federal depository insurance; commercial paper of U.S. corporations with assets exceeding \$500,000,000, if such paper is rated at the highest classification established by at least two standard rating services; money market funds and the Illinois Funds.

The ROE has pooled its investments. Investments are stated at fair value. Net income from investments of pooled funds is allocated and credited to the original sources of the funds. As of June 30, 2005, the ROE's investment is a certificate of deposit amounting \$10,000.

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. As of June 30, 2005, the investment has investment maturity of less than one year.

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.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The ROE's policy for mitigating the risk is to diversify the investment portfolio so that the failure of any one issue will not place an undue financial burden on the ROE. As of June 30, 2005, the ROE's investment is a certificate of deposit with a local bank.

Custodial Credit Risk for investments is the risk that, in the event of a failure of the counterparty, the ROE will not be able to recover the value of the investments that are in the possession of an outside party. Originally, GASB Statement No. 3 discussed three categories of custodial credit risk as follows:

Category 1 includes investments that are insured or collateralized with securities held by the Grundy/Kendall Counties Regional Office of Education No. 24 in its name.

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Category 2 includes investments collateralized with securities held by the financial institution in the name of Grundy/Kendall Counties Regional Office of Education No. 24.

Category 3 includes uninsured and uncollateralized investments or the collateral is held by the financial institution trust department but not in the name of Grundy/Kendall Counties Regional Office of Education No. 24.

Although investments 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 GASB chose to limit disclosure of custodial credit risk to investments that meet the definition of "Category 3", the ROE has decided to include categories 1 and 2 in the discussion. The ROE does not have a policy for custodial credit risk that further limits custodial arrangements from what is required by the State of Illinois Public Funds Investment Act. The following table reflects the ROE's level of risk as of June 30, 2005:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	Category		
			1	2	3
Certificates of deposit	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	\$ -

**NOTE 3 - ON BEHALF PAYMENTS**

The salaries of the Superintendent and Assistant Superintendent of Grundy/Kendall Counties Regional Office of Education No. 24 are paid for by the State of Illinois and TRS contributions are paid by the State of Illinois, in accordance with applicable State of Illinois Law. The breakdown of the on-behalf payments is as follows:

Regional Superintendent Salary	\$ 84,737
Assistant Regional Superintendent Salary	76,261
Regional Superintendent Fringe Benefits (includes State paid insurance)	11,021
Assistant Regional Superintendent Fringe Benefits (includes State paid insurance)	17,802
TRS Pension Contributions	99,158
Total	\$ 288,979

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. The fringe benefits amounts include State paid insurance.

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**NOTE 4 - CAPITAL ASSETS ACTIVITY**

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

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2005</u>
Equipment	\$ 54,873	\$ -	\$ -	\$ 54,873
Building improvement	-	22,450	-	22,450
	<u>54,873</u>	<u>22,450</u>	<u>-</u>	<u>77,323</u>
Less: accumulated depreciation	(11,011)	(8,596)	-	(19,607)
Capital assets, net	<u>\$ 43,862</u>	<u>\$ 13,854</u>	<u>\$ -</u>	<u>\$ 57,716</u>

Depreciation expense charged to governmental function - instructional services totaled \$8,596 for the year.

**NOTE 5 - RETIREMENT PLANS**

Teachers' Retirement System of the State of Illinois

The Grundy/Kendall Counties Regional Office of Education No. 24 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.

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.

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The State of Illinois makes contributions directly to TRS on behalf of the Grundy/Kendall Counties Regional Office of Education No. 24's TRS-covered employees.

- **On-behalf Contributions.** The State of Illinois makes employer pension contributions on behalf of the Grundy/Kendall Counties Regional Office of Education No. 24. For the year ended June 30, 2005, the State of Illinois contributions were based on 11.76 percent of creditable earnings, and the Grundy/Kendall Counties Regional Office of Education No. 24 recognized revenue and expenditures for \$99,158 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 (\$88,312) and 13.01 percent (\$78,266), respectively.

The Grundy/Kendall Counties Regional Office of Education No. 24 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 \$4,890 and \$3,764 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 \$1,083.
- **Federal and Trust Fund Contributions.** When TRS members are paid from federal and trust funds administered by Grundy/Kendall Counties Regional Office of Education No. 24, there is a statutory requirement for the Grundy/Kendall Counties Regional Office of Education No. 24 to pay an employer pension contribution from those funds. For the three years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2005, salaries totaling \$25,848 were paid from federal and trust funds that required employer contributions of \$2,714. For the years ended June 30, 2004 and June 30, 2003, required Regional Office of Education No. 24 contributions were \$3,764 and \$1,770, respectively.
- **Early Retirement Option.** Grundy/Kendall Counties Regional Office of Education No. 24 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



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member is 55 years old. For the years ended June 30, 2005 and 2004, there were no salaries that qualified for this plan.

**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 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.

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- 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 [trs.illinois.gov](http://trs.illinois.gov).

Illinois Municipal Retirement Fund

The ROE's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a financial report that includes financial statements and required supplementary information. The report may be obtained at [www.imrf.org/pubs/pubs\\_homepage.htm](http://www.imrf.org/pubs/pubs_homepage.htm) or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by State statute. The ROE is required to contribute at an actuarially determined rate. The employer rate for calendar year 2004 was 8.78 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.

For December 31, 2004, the ROE's annual pension cost of \$236,681 was equal to the ROE'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 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 4 percent a year, attributable to

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inflation, (c) additional projected salary increases ranging from 0.4 percent to 11.6 percent per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3 percent 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. The assumptions used for the 2004 actuarial valuation were based on the 1999 - 2001 experience study.

<b>TREND INFORMATION</b>			
<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	\$ 236,681	100%	\$ —
12/31/03	175,147	100%	—
12/31/02	132,611	100%	—
12/31/01	14,815	100%	—
12/31/00	96,425	100%	—
12/31/99	70,388	100%	—
12/31/98	32,062	100%	—
12/31/97	32,034	100%	—
12/31/96	33,284	100%	—
12/31/95	39,063	100%	—

**NOTE 6 - DEFICIT FUND BALANCE**

The following funds showed deficit balances at June 30, 2005:

Will State Aid	\$ 29,364
Addiction Prevention - Comprehensive	59
Postage	2,263
Local Workshop	<u>2,069</u>
Total Deficit Fund Balances	<u>\$ 33,755</u>

Above deficit fund balances are expected to correct themselves through payments from the State, receipts from local sources and interest income in the next fiscal year.

**NOTE 7 - DUE FROM OTHER GOVERNMENTAL UNITS**

The Grundy/Kendall Counties Regional Office of Education No. 24's Agency Funds and various grant programs have due from various governmental units which consist of the following:

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Will County Regional Office of Education No. 56	\$ 209,984
Kane County Department of Employment Education	116,563
Illinois Department of Human Services	59,378
Housing Authority of Joliet	23,289
Illinois State Board of Education	21,156
Office of Juvenile Justice and Delinquency Prevention	3,515
Kendall County Mental Health Board	1,457
Department of Commerce and Economic Opportunity	<u>301</u>
Total	<u>\$ 435,643</u>

**NOTE 8 - DUE FROM (TO) OTHER FUNDS**

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

<b>Fund</b>	<b><u>Due From Other Funds</u></b>	<b><u>Due To Other Funds</u></b>
General Fund	\$ 3,607	\$ -
Institute Fund	2,000	-
Proprietary Fund - Local Revenues	-	5,607
Total	<u>\$ 5,607</u>	<u>\$ 5,607</u>

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

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2005**

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
12/31/04	\$2,536,670	\$2,826,531	\$289,861	89.74%	\$2,695,684	10.75%
12/31/03	2,312,658	2,473,594	160,936	93.49%	2,332,187	6.9%
12/31/02	2,032,608	2,035,882	3,274	99.84%	2,049,635	0.16%
12/31/01	1,766,056	1,641,634	(124,422)	107.58%	1,664,644	-%
12/31/00	1,562,395	1,302,936	(259,459)	119.91%	1,443,493	-%
12/31/99	1,308,952	1,114,940	(194,012)	117.40%	1,169,244	-%
12/31/98	1,049,610	1,068,453	18,843	98.24%	965,711	1.95%
12/31/97	965,209	909,671	(55,538)	106.11%	901,603	-%
12/31/96	1,004,064	889,725	(114,339)	112.85%	725,147	-%
12/31/95	875,470	741,890	(133,580)	118.01%	641,607	-%

On a market value basis, the actuarial value of assets as of December 31, 2004 is \$2,541,961. On a market basis, the funded ratio would be 89.93%.

**\*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**

GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
 COMBINING SCHEDULE OF ACCOUNTS  
 EDUCATION FUND  
 JUNE 30, 2005

SCHEDULE 1

	FY 2004 Title IV - Community Service	Will Community Service	Teen Reach - Housing Authority of Joliet	Will State Aid	Grundy/Kendall State Aid	Learn and Serve America
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ (20,854)	\$ (46,819)	\$ 100,380	\$ -
Due from other governmental units	-	-	23,289	178,173	-	-
<b>TOTAL ASSETS</b>	-	-	2,435	131,354	100,380	-
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	-	-	2,435	160,718	83,242	-
Deferred revenues	-	-	-	-	-	-
Total liabilities	-	-	2,435	160,718	83,242	-
<b>FUND BALANCES</b>						
Fund balances (deficit), unreserved	-	-	-	(29,364)	17,138	-
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ -	\$ -	\$ 2,435	\$ 131,354	\$ 100,380	\$ -



GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
 COMBINING SCHEDULE OF ACCOUNTS  
 EDUCATION FUND  
 JUNE 30, 2005

SCHEDULE 1  
 (CONTINUED)

	Title IV - 21st Century Community Learning Centers	Workforce Investment Act - In School - Kendall	Will County Alternative Program	Regional Safe Schools	Workforce Investment Act - Premier Youth	Teen Reach
<b>ASSETS</b>						
Cash and cash equivalents	\$ 482	\$ (9,192)	\$ (19,270)	\$ 49,067	\$ (70,879)	\$ 1,669
Due from other governmental units	-	10,632	31,811	-	105,931	6,900
<b>TOTAL ASSETS</b>	<u>482</u>	<u>1,440</u>	<u>12,541</u>	<u>49,067</u>	<u>35,052</u>	<u>8,569</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	482	1,440	12,541	49,067	35,052	8,569
Deferred revenues	-	-	-	-	-	-
Total liabilities	<u>482</u>	<u>1,440</u>	<u>12,541</u>	<u>49,067</u>	<u>35,052</u>	<u>8,569</u>
<b>FUND BALANCES</b>						
Fund balances (deficit), unreserved	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 482</u>	<u>\$ 1,440</u>	<u>\$ 12,541</u>	<u>\$ 49,067</u>	<u>\$ 35,052</u>	<u>\$ 8,569</u>

GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
 COMBINING SCHEDULE OF ACCOUNTS  
 EDUCATION FUND  
 JUNE 30, 2005

SCHEDULE 1  
 (CONTINUED)

	No Tolerance Task Force	Early Childhood	Peer Leadership	Addiction Prevention - Comprehensive	Addiction Prevention In- Touch	Truants Alternative Optional Education Program
<b>ASSETS</b>						
Cash and cash equivalents	\$ 10,290	\$ (448)	\$ 204	\$ (10,374)	\$ (14,673)	\$ 8,847
Due from other governmental units	-	8,244	-	21,758	30,720	-
<b>TOTAL ASSETS</b>	<u>10,290</u>	<u>7,796</u>	<u>204</u>	<u>11,384</u>	<u>16,047</u>	<u>8,847</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	374	7,796	-	11,443	16,047	8,847
Deferred revenues	-	-	-	-	-	-
Total liabilities	<u>374</u>	<u>7,796</u>	<u>-</u>	<u>11,443</u>	<u>16,047</u>	<u>8,847</u>
<b>FUND BALANCES</b>						
Fund balances (deficit), unreserved	9,916	-	204	(59)	-	-
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 10,290</u>	<u>\$ 7,796</u>	<u>\$ 204</u>	<u>\$ 11,384</u>	<u>\$ 16,047</u>	<u>\$ 8,847</u>

GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
 COMBINING SCHEDULE OF ACCOUNTS  
 EDUCATION FUND  
 JUNE 30, 2005

SCHEDULE 1  
 (CONTINUED)

	Title IV - Safe & Drug-Free Schools - Formula	Federal Drug- Free Communities	Department of Commerce and Economic Opportunity	Even Start	Chemical Abuse Services Program	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ (3,275)	\$ (115)	\$ 28,906	\$ 521	\$ 4,467
Due from other governmental units	-	3,515	301	12,912	1,457	435,643
<b>TOTAL ASSETS</b>	-	240	186	41,818	1,978	440,110
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	-	240	186	41,818	-	440,297
Deferred revenues	-	-	-	-	-	-
Total liabilities	-	240	186	41,818	-	440,297
<b>FUND BALANCES</b>						
Fund balances (deficit), unreserved	-	-	-	-	1,978	(187)
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ -	\$ 240	\$ 186	\$ 41,818	\$ 1,978	\$ 440,110

GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2005

	FY 2004 Title IV - Community Service	Will Community Service	Teen Reach - Housing Authority of Joliet	Will State Aid	Grundy / Kendall State Aid	Learn and Serve America
<b>REVENUES</b>						
Federal sources	\$ 548	\$ 11,005	105,203	\$ -	\$ 60,271	\$ 616
State sources	-	-	-	986,361	301,356	-
Local sources	-	-	-	-	-	-
Intergovernmental	-	39	-	1,159	-	-
Interest	-	11,044	105,203	987,520	361,627	-
Total revenues	548	11,044	105,203	987,520	361,627	616
<b>EXPENDITURES</b>						
Salaries	-	853	36,134	542,399	141,280	-
Benefits	-	-	11,095	149,734	48,836	-
Purchased services	-	2,127	54,244	215,389	143,115	616
Supplies and materials	1,375	-	3,730	56,232	67,924	-
Payments to other governments	-	-	-	-	72,671	-
Capital expenditures	-	-	-	53,130	12,347	-
Total expenditures	1,375	2,980	105,203	1,016,884	486,173	616
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(827)	8,064	-	(29,364)	(124,546)	-
<b>FUND BALANCES (DEFICIT), UNRESERVED, BEGINNING OF YEAR</b>	827	(8,064)	-	-	141,684	-
<b>FUND BALANCES (DEFICIT), UNRESERVED, END OF YEAR</b>	\$ -	\$ -	\$ -	\$ (29,364)	\$ 17,138	\$ -

GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
EDUCATION FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2005

	Title IV - 21st Century Community Learning Centers	Workforce Investment Act - In School - Kendall	Will County Alternative Program	Regional Safe Schools	Workforce Investment Act - Premier Youth	Teen Reach
<b>REVENUES</b>						
Federal sources	\$ 2,629	\$ 57,836	\$ -	\$ 54,424	\$ 336,313	\$ 78,631
State sources	-	-	290,355	141,569	-	-
Local sources	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Interest	-	-	-	556	-	-
Total revenues	2,629	57,836	290,355	196,549	336,313	78,631
<b>EXPENDITURES</b>						
Salaries	-	41,244	185,944	40,535	165,890	48,374
Benefits	-	12,637	69,138	14,905	43,469	15,345
Purchased services	-	3,447	34,465	2,612	60,033	12,847
Supplies and materials	2,629	508	809	189	37,826	2,065
Payments to other governments	-	-	-	138,308	-	-
Capital expenditures	-	-	-	-	189	-
Total expenditures	2,629	57,836	290,356	196,549	307,407	78,631
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	(1)	-	28,906	-
<b>FUND BALANCES (DEFICIT), UNRESERVED, BEGINNING OF YEAR</b>	-	-	1	-	(28,906)	-
<b>FUND BALANCES (DEFICIT), UNRESERVED, END OF YEAR</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SCHEDULE 2  
(CONTINUED)

GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
EDUCATION FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2005

	No Tolerance Task Force	Early Childhood	Peer Leadership	Addiction Prevention - Comprehensive	Addiction Prevention In- Touch	Truants Alternative Optional Ed Program
<b>REVENUES</b>						
Federal sources	\$ -	\$ -	\$ -	\$ 219,180	\$ 30,720	\$ -
State sources	-	76,322	-	41,278	154,000	375,700
Local sources						
Intergovernmental	24,353	-	-	-	-	-
Interest	-	-	-	-	-	-
Total revenues	24,353	76,322	-	260,458	184,720	375,700
<b>EXPENDITURES</b>						
Salaries	17,830	47,930	-	173,227	135,594	279,831
Benefits	3,304	11,875	-	63,292	34,231	73,031
Purchased services	2,090	13,105	-	21,276	9,131	21,474
Supplies and materials	-	3,412	-	2,294	2,699	1,364
Payments to other governments	-	-	-	-	-	-
Capital expenditures	-	-	-	-	2,953	-
Total expenditures	23,224	76,322	-	260,089	184,608	375,700
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	1,129	-	-	369	112	-
<b>FUND BALANCES (DEFICIT), UNRESERVED, BEGINNING OF YEAR</b>	8,787	-	204	(428)	(112)	-
<b>FUND BALANCES (DEFICIT), UNRESERVED, END OF YEAR</b>	\$ 9,916	\$ -	\$ 204	\$ (59)	\$ -	\$ -

GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
EDUCATION FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2005

	Title IV - Safe & Drug-Free Schools		Federal Drug- Free Communities		Department of Commerce and Economic Opportunity		Even Start	Chemical Abuse Services Program	Total	
	- Formula	209	\$	110,081	\$	-				\$
<b>REVENUES</b>										
Federal sources		209	\$	110,081	\$	-	\$	175,000	\$	1,242,666
State sources		-		-		21,381		-		2,388,322
Local sources		-		-		-		-		
Intergovernmental		-		-		-		2,437		26,790
Interest		-		-		-		-		1,754
Total revenues		209		110,081		21,381		175,000		3,659,532
<b>EXPENDITURES</b>										
Salaries		-		13,966		17,315		63,297		1,951,643
Benefits		-		4,521		2,537		14,415		572,365
Purchased services		-		69,642		955		41,502		708,070
Supplies and materials		209		16,218		574		13,417	459	213,933
Payments to other governments		-		-		-		38,641		249,620
Capital expenditures		-		5,734		-		3,728		78,081
Total expenditures		209		110,081		21,381		175,000	459	3,773,712
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>		-		-		-		-	1,978	(114,180)
<b>FUND BALANCES (DEFICIT), UNRESERVED, BEGINNING OF YEAR</b>		-		-		-		-	-	113,993
<b>FUND BALANCES (DEFICIT), UNRESERVED, END OF YEAR</b>		\$	-	\$	-	\$	-	\$	1,978	\$ (187)

GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
 BUDGETARY COMPARISON SCHEDULES  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2005

	Regional Safe Schools			Early Childhood			Truants Alternative/Optional Education		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>									
Federal sources	\$ -	\$ 54,424	\$ 54,424	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	195,993	141,569	(54,424)	76,322	76,322	-	375,700	375,700	-
Local sources:									
Interest	-	556	556	-	-	-	-	-	-
Total revenues	195,993	196,549	556	76,322	76,322	-	375,700	375,700	-
<b>EXPENDITURES</b>									
Salaries	40,741	40,535	206	50,358	47,930	2,428	281,627	279,831	1,796
Benefits	14,117	14,905	(788)	11,670	11,875	(205)	66,814	73,031	(6,217)
Purchased services	2,922	2,612	310	12,337	13,105	(768)	25,559	21,474	4,085
Supplies and materials	250	189	61	1,957	3,412	(1,455)	1,700	1,364	336
Payments to other governments	137,963	138,308	(345)	-	-	-	-	-	-
Capital expenditures	-	-	-	-	-	-	-	-	-
Total expenditures	195,993	196,549	(556)	76,322	76,322	-	375,700	375,700	-
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>FUND BALANCES, July 1, 2004</b>									
<b>FUND BALANCES, June 30, 2005</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
 BUDGETARY COMPARISON SCHEDULES  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 3  
 (CONTINUED)

	Even Start		Title IV - Safe & Drug-Free Schools - Formula				Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>									
Federal sources	\$ 175,000	\$ 175,000	\$ -	\$ 209	\$ 209	\$ -	\$ 175,209	\$ 229,633	\$ 54,424
State sources	-	-	-	-	-	-	648,015	593,591	(54,424)
Local sources:									
Interest	-	-	-	-	-	-	-	556	556
Total revenues	175,000	175,000	-	209	209	-	823,224	823,780	556
<b>EXPENDITURES</b>									
Salaries	59,815	63,297	(3,482)	-	-	-	432,541	431,593	948
Benefits	13,797	14,415	(618)	-	-	-	106,398	114,226	(7,828)
Purchased services	43,867	41,502	2,365	-	-	-	84,685	78,693	5,992
Supplies and materials	12,150	13,417	(1,267)	209	209	-	16,266	18,591	(2,325)
Payments to other governments	41,871	38,641	3,230	-	-	-	179,834	176,949	2,885
Capital expenditures	3,500	3,728	(228)	-	-	-	3,500	3,728	(228)
Total expenditures	175,000	175,000	-	209	209	-	823,224	823,780	(556)
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>FUND BALANCES, July 1, 2004</b>	-	-	-	-	-	-	-	-	-
<b>FUND BALANCES, June 30, 2005</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2005

SCHEDULE 4

	GED	School Bus Driver Training	Supervisory	Postage	Will/Grundy Counties Local Area Network	Total
ASSETS						
Cash (overdraft)	\$ 3,312	\$ 22,507	\$ 2,924	\$ (2,263)	\$ 1,852	\$ 28,332
<b>TOTAL ASSETS</b>	<b>3,312</b>	<b>22,507</b>	<b>2,924</b>	<b>(2,263)</b>	<b>1,852</b>	<b>28,332</b>
FUND BALANCES						
Fund balances (deficit), unreserved	3,312	22,507	2,924	(2,263)	1,852	28,332
<b>TOTAL FUND BALANCES</b>	<b>\$ 3,312</b>	<b>\$ 22,507</b>	<b>\$ 2,924</b>	<b>\$ (2,263)</b>	<b>\$ 1,852</b>	<b>\$ 28,332</b>

GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005

	GED	School Bus Driver Training	Supervisory	Postage	Will/Grundy Counties Local Area Network	Total
<b>REVENUES</b>						
State sources	\$ -	\$ 600	\$ 2,000	\$ -	\$ -	\$ 2,600
Local sources						
Licenses and permits	5,994	2,548	-	965	-	9,507
Interest	-	-	-	-	29	29
Total revenues	5,994	3,148	2,000	965	29	12,136
<b>EXPENDITURES</b>						
Purchased services	5,913	697	2,000	1,303	-	9,913
Supplies and materials	-	-	-	-	86	86
Total expenditures	5,913	697	2,000	1,303	86	9,999
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	81	2,451	-	(338)	(57)	2,137
<b>FUND BALANCES (DEFICIT), UNRESERVED BEGINNING OF YEAR</b>	3,231	20,056	2,924	(1,925)	1,909	26,195
<b>FUND BALANCES (DEFICIT), UNRESERVED END OF YEAR</b>	\$ 3,312	\$ 22,507	\$ 2,924	\$ (2,263)	\$ 1,852	\$ 28,332

GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 AGENCY FUNDS  
 JUNE 30, 2005

SCHEDULE 6

	<u>Distributive</u>	<u>Outdoor Education Cooperative</u>	<u>Payroll Fund</u>	<u>County Board of Trustees</u>	<u>Total</u>
<b>ASSETS</b>					
Cash	\$ 65,373	\$ 31,027	\$ 3,998	\$ 225	\$ 100,623
<b>LIABILITIES</b>					
Due to other governmental units	\$ 65,373	\$ 31,027	\$ 3,998	\$ 225	\$ 100,623

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005**

**SCHEDULE 7**

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2005</u>
<b>DISTRIBUTIVE</b>				
<b>ASSETS</b>				
Cash	\$ 71,282	\$ 5,488,536	\$ 5,494,445	\$ 65,373
<b>LIABILITIES</b>				
Due to other governmental units	\$ 71,282	\$ 5,488,536	\$ 5,494,445	\$ 65,373
<b>OUTDOOR EDUCATION COOPERATIVE</b>				
<b>ASSETS</b>				
Cash	\$ 19,461	\$ 122,520	\$ 110,954	\$ 31,027
<b>LIABILITIES</b>				
Due to other governmental units	\$ 19,461	\$ 122,520	\$ 110,954	\$ 31,027
<b>PAYROLL FUND</b>				
<b>ASSETS</b>				
Cash	\$ 755	\$ 87,478	\$ 84,235	\$ 3,998
<b>LIABILITIES</b>				
Due to other governmental units	\$ 755	\$ 87,478	\$ 84,235	\$ 3,998
<b>COUNTY BOARD OF TRUSTEES</b>				
<b>ASSETS</b>				
Cash	\$ 230	\$ -	\$ 5	\$ 225
<b>LIABILITIES</b>				
Due to other governmental units	\$ 230	\$ -	\$ 5	\$ 225
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash	\$ 91,728	\$ 5,698,534	\$ 5,689,639	\$ 100,623
<b>LIABILITIES</b>				
Due to other governmental units	\$ 91,728	\$ 5,698,534	\$ 5,689,639	\$ 100,623

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES  
 DISTRIBUTIVE FUND  
 FOR THE YEAR ENDED JUNE 30, 2005**

SCHEDULE 8

	Education Service Network		Kendall Co. Spec. Educ.	Grundy/Kendall General School Development Fund		Professional Alliance	Thomas Centowski	Total
	\$	449		\$				
TRS Refund	\$	449	-	\$	-	-	\$	449
In Touch Addiction Prevention		61,320	-		-	-		61,320
Federal Special Education - IDEA Flow Through		-	1,823,823		-	-		1,823,823
Title IV - Community Service		548	-		-	-		548
Gen State Aid		361,627	-		-	-		361,627
Fed. Spec. Ed. Pre School		-	249,935		-	-		249,935
Addiction Prevention Comp		403,558	-		-	-		403,558
ROE School Bus Driver Training		-	-	600	-	-		600
Truant Alt. Opt. Ed. Lump Sum		375,700	-		-	-		375,700
Special Ed. Personnel		-	1,554,701		-	-		1,554,701
Regional Safe Schools		195,993	-		-	-		195,993
Early Childhood Block Gr.		76,322	-		-	-		76,322
Supervisory Expense		-	-		-	2,000		2,000
Learn and Serve America		841	-		-	-		841
Medicaid Matching Fund		-	43,935		-	-		43,935
Safe and Drug Free School		4,797	-		-	-		4,797
Federal Drug Free Com. Grant		113,366	-		-	-		113,366
Even Start		170,412	-		-	-		170,412
Miscellaneous		2,634	-		-	-		2,634
Teen Reach		51,884	-		-	-		51,884
<b>Total</b>	<b>\$</b>	<b>1,819,451</b>	<b>\$ 3,672,394</b>	<b>\$</b>	<b>600</b>	<b>\$</b>	<b>2,000</b>	<b>\$ 5,494,445</b>

GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 9

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2005 Expenditures
<b>DEPARTMENT OF EDUCATION</b>			
Safe and Drug-Free Schools and Communities_National Programs Passed-Through Illinois State Board of Education <i>Title IV - Community Service</i>	84.184	2004-4420-00	\$ 548
Passed-Through Will County Regional Office of Education No. 56 <i>Title IV - Community Service</i>	84.184	2004-4420-00	2,980
			<u>3,528</u>
Even Start-State Educational Agencies Passed-Through Illinois State Board of Education <i>Even Start</i>	84.213C	2005-4335-00	<u>175,000</u>
Safe and Drug-Free Schools and Communities_State Grants Passed-Through Illinois State Board of Education <i>Title IV - Safe &amp; Drug Free School-Formula</i>	84.186A	2005-4400-00	209
Passed-Through Illinois Department of Human Services <i>Safe and Drug Free Schools and Communities - State Grants</i>	84.186A	256464900	<u>214,600</u>
			<u>214,809</u>
Twenty-First Century Community Learning Centers Passed-Through Fairmont School District No. 89 <i>Title IV - 21st Century Community Learning Centers</i>	84.287C	2004-4421-00	<u>2,629</u>
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 395,966</b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Temporary Assistance for Needy Families Passed-Through Illinois State Board of Education <i>Regional Safe Schools</i>	93.558	2005-3696-00	\$ 54,424
<i>General State Aid - Sec. 18-8</i>	93.558	2005-3001-93	60,271
Passed-Through Illinois Department of Human Services <i>Teen Reach</i>	93.558	82001440H	78,631
Passed-Through Housing Authority of Joliet <i>Teen Reach</i>	93.558	11G6238000	<u>105,203</u>
			<u>298,529</u>
Block Grants for Prevention and Reduction of Substance Abuse Passed-Through Illinois Department of Human Services <i>Addiction Prevention Comprehensive</i>	93.959	250134400	19,980
<i>Addiction Prevention In-Touch</i>	93.959	250134400	<u>15,320</u>
			<u>35,300</u>
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ 333,829</b>
<b>DEPARTMENT OF LABOR</b>			
Workforce Investment Act (WIA) Youth Activities Passed-Through Kane County Department of Employment and Education <i>Workforce Investment Act (WIA) - In School - Kendall</i>	(M) 17.259		\$ 57,836
<i>Workforce Investment Act (WIA) - Premier Youth</i>	(M) 17.259		<u>307,407</u>
<b>TOTAL DEPARTMENT OF LABOR</b>			<b>\$ 365,243</b>
<b>DEPARTMENT OF JUSTICE</b>			
Juvenile Justice and Delinquency Prevention_Allocation to States Passed-Through Office of Juvenile Justice and Delinquency Prevention <i>Federal Drug-Free Communities</i>	16.540		<u>\$ 110,081</u>
<b>TOTAL DEPARTMENT OF JUSTICE</b>			<b>\$ 110,081</b>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Learn and Serve America_School and Community Based Programs Passed-Through Illinois State Board of Education <i>Learn and Serve America</i>	94.004	04-4910-00	<u>\$ 616</u>
<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			<b>\$ 616</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 1,205,735</b>

(M) Program was audited as a major program.

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

**GRUNDY/KENDALL COUNTIES REGIONAL OFFICE OF EDUCATION NO. 24  
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 Grundy/Kendall Counties Regional Office of Education No. 24 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. Description of Major Federal Program**

Workforce Investment Act (WIA) - In School - Kendall and Premier Youth provides basic math, reading and employment readiness skills to youth in Kendall County and Premier Academy through the Illinois Department of Human Services. This program provides opportunities for training, continued supportive services, incentives for recognition and achievement and opportunities for leadership, development, decision making, citizenship and community service.

**Note 3. Subrecipients**

Not applicable.

**Note 4. Non-Cash Assistance**

Not applicable.

**Note 5. Amount of Insurance**

Not applicable.

**Note 6. Loan or Loan Guarantees**

Not applicable.