

**State of Illinois**  
**REGIONAL OFFICE OF EDUCATION #54**  
**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 Auditor General, State of Illinois**

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

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VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

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**VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54**

**OFFICIALS**

Regional Superintendent (effective June 28, 2005)

Mr. Michael Metzen

Regional Superintendent (retired effective June 27, 2005)

Mr. Jim Trask

Assistant Regional Superintendent (during the audit period)

Mr. Michael Metzen

Offices are located at:

200 S. College, Suite B  
Danville, IL 61832

**VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54**

**COMPLIANCE REPORT SUMMARY**

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

**AUDITORS' REPORTS**

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

**SUMMARY OF AUDIT FINDINGS**

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	1	0
Repeated audit findings	0	0
Prior recommendations implemented or not repeated	0	0

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

**SUMMARY OF FINDINGS AND QUESTIONED COSTS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)		
05-01	12-13	Controls Over Compliance with Laws and Regulations

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

There were no findings for the year ended June 30, 2005.

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

There were no prior findings.

PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

There were no prior findings.

**EXIT CONFERENCE**

An informal exit conference was held on August 5, 2005. Attending were Michael Metzen Regional Superintendent of Schools, Janice Hawkins, Bookkeeper and James E. Moon, CPA.

The response to the recommendation was provided by Michael Metzen in a fax dated October 28, 2005.

**FINANCIAL STATEMENT REPORT**

**SUMMARY**

The audit of the accompanying basic financial statements of the Vermilion County Regional Office of Education #54 was performed by West & Company, LLC.

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

# WEST & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS  
&  
CONSULTANTS

## MEMBERS

E. LYNN FREESE  
RICHARD C. WEST  
KENNETH L. VOGT  
DOUGLAS R. STROUD  
BRIAN E. DANIELL  
JANICE K. ROMACK  
DIANA R. SMITH

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MATTOON, ILLINOIS 61938

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## OFFICES

EFFINGHAM  
SULLIVAN  
GREENVILLE  
MATTOON

## 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, each major fund, and the aggregate remaining fund information of the Vermilion County Regional Office of Education #54, as of and for the year ended June 30, 2005, which collectively comprise the Vermilion County Regional Office of Education #54's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Vermilion County Regional Office of Education #54's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Vermilion County Regional Office of Education #54, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2005, on our consideration of the Vermilion County Regional Office of Education #54'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 the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Member of Private Companies Practice Section

The Management's Discussion and Analysis on pages 17A through 17E is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Vermilion County Regional Office of Education #54's basic financial statements. The combining and individual nonmajor 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 *Guidelines to Auditing and Reporting for a Regional Office of Education*, and is also not a required part of the basic financial statements of the Vermilion County Regional Office of Education #54. 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.

*West + Company, LLC*

August 5, 2005

**WEST & COMPANY, LLC**

CERTIFIED PUBLIC ACCOUNTANTS  
&  
CONSULTANTS

MEMBERS

E. LYNN FREESE  
RICHARD C. WEST  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Vermilion County Regional Office of Education #54, as of and for the year ended June 30, 2005, which collectively comprise the Vermilion County Regional Office of Education #54's basic financial statements and have issued our report thereon dated August 5, 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 Vermilion County Regional Office of Education #54'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 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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Vermilion County Regional Office of Education #54'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 05-01.

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.

*West + Company, LLC*

August 5, 2005

**WEST & COMPANY, LLC**

CERTIFIED PUBLIC ACCOUNTANTS  
&  
CONSULTANTS

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE FOR  
EACH PROGRAM DETERMINED TO BE MAJOR BY THE ILLINOIS STATE BOARD  
OF EDUCATION IN THEIR MONITORING OF FEDERAL PROGRAMS**

Honorable William G. Holland  
Auditor General  
State of Illinois

**Compliance**

We have audited the compliance of the Vermilion County Regional Office of Education #54 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 Vermilion County Regional Office of Education #54'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 Vermilion County Regional Office of Education #54's management. Our responsibility is to express an opinion on the Vermilion County Regional Office of Education #54'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 criteria as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*. Those standards and criteria 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 Vermilion County Regional Office of Education #54's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Vermilion County Regional Office of Education #54's compliance with those requirements.

In our opinion, the Vermilion County Regional Office of Education #54 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.

Member of Private Companies Practice Section

### Internal Control Over Compliance

The management of the Vermilion County Regional Office of Education #54 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 Vermilion County Regional Office of Education #54's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 criteria as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*.

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

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

*West + Company, LLC*

August 5, 2005

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2005

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Section I -- Summary of Auditors' Results

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**Financial statements**

Type of auditors' 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 material weakness(es)?        yes   X   none reported

Type of auditors' report issued on compliance for major programs: UNQUALIFIED

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?        yes   X   no

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2005

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Section I -- Summary of Auditors' Results (concluded)

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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of federal program or cluster</u>
93.558	Regional Safe Schools
93.558	General State Aid

Dollar threshold used to distinguish between Type A and Type B programs: N/A

Auditee qualified as a low-risk auditee? \_\_\_\_\_ yes      X   no

**VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the year ended June 30, 2005**

**Section II—Financial Statement Findings**

**FINDING NO. 05-01 – Controls Over Compliance with Laws and Regulations**

**Criteria/specific requirement:**

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:**

The Regional Office is not examining all books, accounts, and vouchers of every school treasurer in his educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent 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 #54 did not comply with statutory requirements.

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2005

**Section II—Financial Statement Findings (Continued)**

**FINDING NO. 05-01 – Controls Over Compliance with Laws and Regulations (Continued)**

**Cause:**

The Regional Office of Education signs off on the Annual Financial Reports for the school districts in the region. The Regional Office receives a spreadsheet from the Illinois State Board of Education that outlines all of the school districts and their audit exceptions, if any. The Regional Office does receive copies of letters indicating noted exceptions and does a follow-up with individual districts when responses are required.

With these technological advances and audit requirements, the level of detail required by 105 ILCS 5/3-14.11 is not as applicable as it was in 1953.

**Recommendation:**

The Regional Office of Education #54 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 & 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.

**VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the year ended June 30, 2005**

**Section III: Federal Award Findings**

No findings were noted for the year ended June 30, 2005.

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS

For the year ended June 30, 2005

**Corrective Action Plan**

**Finding No.:** 05-01

**Condition:**

The Regional Office is not examining all books, accounts, and vouchers of every school treasurer in his educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent 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 the 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:**

We will seek a legislative solution to this and other obsolete statutes.

**Anticipated Date of Completion:**

On going.

**Name of Contact Person:**

Michael Metzen, Regional Superintendent

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2005

Finding number

Condition

Current Status

No findings were noted for the prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Vermilion County Regional Office of Education #54

### Management's Discussion and Analysis For the year ended June 30, 2005

#### I. USING THIS REPORT

These financial statements and accompanying statements are presented in a format consistent with the presentation requirements of GASB Statements No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and Local governments*.

#### II. REPORT COMPONENTS

These financial statements and their accompanying information consists of several parts as follows:

1. Independent auditor's report
2. Basic financial statements including government-wide and fund financial statements
3. Supplemental information including the Management's Discussion and Analysis

#### III. BASIS OF ACCOUNTING

The accounting for the Regional Office of Education #54 (Regional Office) is organized on the basis of funds. These funds are treated by the Regional Office as a separate accounting entity.

Revenues and expenses on the government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when cash is received or paid. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Revenues and expenditures on the government fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Regional Office does not reflect a General Fund. Because all expenses of operating and maintaining the office are paid for by Vermilion County, those costs are reflected in the budgets and reports of the Vermilion County General Fund.

The Regional Office has not and is not legally required to adopt a formal budgetary accounting system for its various funds. However, the Regional Office has adopted an internal budget for expenses relating to office operations for funding received from the Vermilion County Board.

Capital assets for the Regional Office have been capitalized at a \$1,000 entry level. This level has been adopted by the Regional Office on their own to standardize the accounting for these assets. Capital asset levels as capitalized and reported by Vermilion County for office operations and maintenance of the Regional Office are set at \$500; thus, the reporting by the County may differ from the Regional Office. The Regional Office does not currently have any capital assets.

#### IV. OTHER SIGNIFICANT POLICIES

State regulations have strict requirements regarding the deposits and usage of funds that are deposited with the Regional Office. All funds have been deposited and expended in compliance with those regulations.

Because the Regional Office operates mainly on a "pass-through" basis, there is no control over the amount of funds that come through the office to be disbursed. Further, there is no significant information that could be shown that would reflect changes in the funding that are under the control of the Regional Office.

All expenditures that are made by the Regional Office are made in compliance with the purposes as set forth by the funding bodies.

All expenditures made through the General Fund of the Vermilion County are examined prior to disbursement by the Vermilion County Auditor and approved according to their policies for such expenses. All other records of the Regional Office are open to the examination by the Vermilion County Auditor, to the extent allowed by laws regulating such.

#### V. FINANCIAL HIGHLIGHTS

This report consists of a series of financial statements and notes to those statements. The statements are organized to assist the reader in understanding the Vermilion County Regional Office of Education as an entire operating entity. The statements go further to provide a detailed look at specific financial activities. The government-wide statements, which are the Statement of Net Assets and the Statement of Activities, provide information about the activities of the whole Regional Office.

The fund financial statements provide the next level of activity. For government type funds, the statements tell how services were financed on a short-term basis, as well as what balances remain for future spending. The major funds of the Regional Office are also looked at on an individual basis, with non-major funds being combined and presented as a total in one column. In the Regional Office, the Direct Services Fund is by far the most significant.

The financial statements also reflect two types of funds. The government funds used by the Regional Office are actually special revenue funds used to account for revenue from specific sources. The Regional Office operates several of these special revenue funds under the blanket of the government funds. Most of the Regional Office's programs and services are accounted for in the government funds. These include institute services, direct services, education services and various other services and activities.

Fiduciary funds are accounts that are used solely to account for assets held by the Regional Office as a trustee or an agent for other government agencies. Overall, the fiduciary fund is custodial in nature and thus does not involve measurement of results of its operation.

The following table provides a summary of the Regional Office's net assets for the fiscal years June 30, 2004 and 2005.

**NET ASSETS**

	<u>GOVERNMENTAL FUNDS</u>	
	<u>2005</u>	<u>2004</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 166,158	\$ 180,218
Investments	7,000	7,000
Interest receivable	48	48
	<u>173,206</u>	<u>187,266</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	190	535
Deferred revenue	46,023	33,799
	<u>46,213</u>	<u>34,334</u>
<b>NET ASSETS</b>		
Unrestricted	115,901	139,137
Restricted	11,092	13,795
	<u>126,993</u>	<u>152,932</u>
<b>Total net assets</b>	<u>\$ 126,993</u>	<u>\$ 152,932</u>

The following table shows the changes in net assets for the fiscal year ended June 30, 2005.

**CHANGE IN NET ASSETS**

	<u>2005</u>	<u>2004</u>
Revenues:		
Program Revenues:		
Operating grants and contributions	\$ 207,059	\$ 245,394
General Revenues:		
Local sources	40,258	32,798
On-behalf payments	271,507	268,455
Interest	1,582	1,919
Transfers	8,861	7,217
TOTAL REVENUES	<u>529,267</u>	<u>555,783</u>
Expenses:		
Instructional services:		
Purchased services	44,547	26,437
Supplies and materials	8,385	10,233
Other objects	3,783	4,470
Payments to other governments	226,984	259,625
Administrative:		
On-behalf payments	271,507	268,455
TOTAL EXPENSES	<u>555,206</u>	<u>569,220</u>
Changes in Net assets	(25,939)	(13,437)
Net Assets-beginning	152,932	166,369
Net Assets-ending	<u>\$ 126,993</u>	<u>\$ 152,932</u>
Total program revenues	\$ 207,059	\$ 245,394
Total general revenues	<u>313,347</u>	<u>303,172</u>
Total revenues	<u>\$ 520,406</u>	<u>\$ 548,566</u>
Total expenses	<u>\$ 555,206</u>	<u>\$ 569,220</u>

Key financial highlights for fiscal year ended June 30, 2005 are as follows:

- Net assets of government funds decreased \$25,939, representing a 17% decrease from 2004.
- The two major expenditures for the government funds are on-behalf payments, representing 49 % of total expenditures and payments to other governments, or flow-through expenditures, representing 41%. Other expenditures are purchased services (8%), supplies and materials (2%), and other expenditures (less than 1%).
- The two major funding sources for the government funds are on-behalf payments, representing 51% and other grants and contributions representing 39%. Other sources are local (8%), transfers (2%) and interest (less than 1%).
- Overall revenues have decreased 5% and expenditures 2%.
- There was no single significant change in accounts for the majority of the decrease in fund balance. Most funds show a decrease in revenue (grant, interest, participation fees) and an increase in expenses (more service, increased cost of services, greater need of services). This trend is consistent with recent years.

In conclusion, the Office continues to rely on state and federal funds for delivering the majority of its services. The flow-through accounts provide revenues to provide services to schools, teachers and administration that they might not otherwise have access to at the local level. The office needs to continue to pursue cooperative efforts with other LEA's to maximize the programmatic impact with funds available. While this fiscal report is indicative of the current trend, the overall operation of the Regional Office is not greatly affected by decreases at this time.

This financial report is designed to provide the users with a general overview of the finances of the Vermilion County Regional Office of Education. It further serves to demonstrate the Office's accountability for the money it receives and expends. If you have questions about this or need additional financial information, contact the Vermilion County Regional Office of Education at 200 S. College Street, Suite B, Danville, IL 61832.

**BASIC FINANCIAL STATEMENTS**

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

STATEMENT OF NET ASSETS

June 30, 2005

	<u>Governmental Activities</u>
CURRENT ASSETS	
Cash	\$ 166,158
Investments	7,000
Interest receivable	<u>48</u>
Total assets	<u>173,206</u>
CURRENT LIABILITIES	
Accounts payable	190
Deferred revenue	<u>46,023</u>
Total liabilities	<u>46,213</u>
NET ASSETS	
Unrestricted	115,901
Restricted	<u>11,092</u>
Total net assets	<u><u>\$ 126,993</u></u>

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

**VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54**

**STATEMENT OF ACTIVITIES  
For the year ended June 30, 2005**

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Net (Expense) Revenue and Changes In Net Assets</u>  <u>Governmental Activities</u>
Governmental activities:			
Instructional services:			
Purchased services	\$ 44,547	\$ 1,927	\$ (42,620)
Supplies and materials	8,385	149	(8,236)
Other objects	3,783	121	(3,662)
Payments to other governments	226,984	204,862	(22,122)
Administrative:			
On-behalf payments	<u>271,507</u>	<u>-</u>	<u>(271,507)</u>
Total governmental activities	<u>\$ 555,206</u>	<u>\$ 207,059</u>	<u>(348,147)</u>
General revenues			
Local sources			40,258
On-behalf payments			271,507
Interest			1,582
Transfers			<u>8,861</u>
Total general revenues and transfers			<u>322,208</u>
Change in net assets			(25,939)
Net assets - beginning			<u>152,932</u>
Net assets - ending			<u>\$ 126,993</u>

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

**VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2005**

	<u>Institute Fund</u>	<u>General Education Development</u>	<u>Direct Services Fund</u>	<u>Education Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash	\$ 43,474	\$ 17,368	\$ 96,914	\$ -	\$ 8,402	\$ 166,158
Investments	-	-	-	-	7,000	7,000
Interest receivable	-	-	-	-	48	48
<b>Total assets</b>	<b><u>\$ 43,474</u></b>	<b><u>\$ 17,368</u></b>	<b><u>\$ 96,914</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 15,450</u></b>	<b><u>\$ 173,206</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ 190	\$ -	\$ -	\$ -	\$ 190
Deferred revenue	29,350	-	16,673	-	-	46,023
<b>Total liabilities</b>	<b><u>29,350</u></b>	<b><u>190</u></b>	<b><u>16,673</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>46,213</u></b>
<b>FUND BALANCES</b>						
Fund balances, unreserved	14,124	17,178	69,149	-	15,450	115,901
Fund balances, reserved	-	-	11,092	-	-	11,092
<b>Total fund balances</b>	<b><u>14,124</u></b>	<b><u>17,178</u></b>	<b><u>80,241</u></b>	<b><u>-</u></b>	<b><u>15,450</u></b>	<b><u>126,993</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 43,474</u></b>	<b><u>\$ 17,368</u></b>	<b><u>\$ 96,914</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 15,450</u></b>	<b><u>\$ 173,206</u></b>

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

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the year ended June 30, 2005

	Institute Fund	General Education Development	Direct Services Fund	Education Fund	Other Nonmajor Funds	Total Governmental Funds
Revenues:						
Local sources	\$ 21,667	\$ 10,983	\$ 6,452	\$ -	\$ 1,156	\$ 40,258
State sources	-	-	551	159,314	1,840	161,705
Federal sources	-	-	-	45,354	-	45,354
On-behalf payments	-	-	271,507	-	-	271,507
Interest	403	60	1,037	-	82	1,582
Total revenues	22,070	11,043	279,547	204,668	3,078	520,406
Expenditures:						
Education:						
Purchased services	10,492	6,809	23,805	-	3,441	44,547
Supplies and materials	-	2,682	5,534	-	169	8,385
Other objects	3,528	-	-	-	255	3,783
Payments to other governments	6,322	-	15,994	204,668	-	226,984
On-behalf payments	-	-	271,507	-	-	271,507
Total expenditures	20,342	9,491	316,840	204,668	3,865	555,206
Excess (deficiency) of revenues over (under) expenditures	1,728	1,552	(37,293)	-	(787)	(34,800)
Other financing sources (uses):						
Operating transfers in	-	-	8,861	-	-	8,861
Net other sources and uses of financial resources	-	-	8,861	-	-	8,861
Net change in fund balances	1,728	1,552	(28,432)	-	(787)	(25,939)
Fund balances, beginning of year	12,396	15,626	108,673	-	16,237	152,932
Fund balances, end of year	\$ 14,124	\$ 17,178	\$ 80,241	\$ -	\$ 15,450	\$ 126,993

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

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 June 30, 2005

	Expendable Trust Fund <u>DAAPP</u>	Agency Fund <u>Distributive</u>
ASSETS		
Cash	\$ 5,567	\$ -
Investments	<u>-</u>	<u>295,802</u>
Total assets	<u>\$ 5,567</u>	<u>\$ 295,802</u>
LIABILITIES		
Accounts payable	\$ 1,508	\$ -
Due to other governments	<u>-</u>	<u>295,802</u>
Total liabilities	<u>1,508</u>	<u>\$ 295,802</u>
NET ASSETS		
Held in trust	<u>\$ 4,059</u>	

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

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND

For the year ended June 30, 2005

	Expendable Trust Fund <u>DAAPP</u>
ADDITIONS	
Local sources	\$ 31,878
Interest	<u>24</u>
Total additions	<u>31,902</u>
DEDUCTIONS	
Salaries	17,500
Purchased services	2,203
Supplies and materials	11,835
Capital outlay	<u>1,938</u>
Total deductions	<u>33,476</u>
Change in net assets	(1,574)
Net assets - beginning of year	<u>5,633</u>
Net assets - end of year	<u>\$ 4,059</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Regional Office of Education #54's accounting policies conform to generally accepted accounting principles which are appropriate to local governmental units of this type.

**A. Reporting Entity**

The Regional Office of Education #54 was created by Illinois Public Act 76-735, as amended, effective August 11, 1969. The region encompasses Vermilion County.

The Regional Superintendent of schools is the chief administrative officer of the region and is elected to the position for a four-year term. The Regional Superintendent is responsible for the supervision and control of the school districts.

The Superintendent's responsibilities for administering the school educational service region programs include, but are not limited to, providing directions to teachers and school officials on science, art and teaching methods; implementing the State Board of Education's Policy Programs; encouraging camaraderie among teachers through the teachers' institute; making public notice of unfilled teaching positions within the region; and insuring of the safety, health and welfare of the students in the region by periodically inspecting the school buildings and insuring that the bus drivers have valid driving licenses and are properly trained to operate the school buses. Further, the superintendent receives an allocation of school funds from the State Board of Education and apportions these funds to the school districts in accordance with the State Board of Education's formula.

The Regional Office of Education #54 derives its oversight power and authority over the school districts from the School Code of Illinois and is responsible for its own fiscal and budgetary matters. The Regional Office of Education #54 exercises no oversight responsibility on financial interdependency, selection of governing authority, designation of management or the ability to significantly influence the operations of any other outside agencies. Control or dependency is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing order. Therefore, no other agency has been included as a component unit in the Regional Office of Education #54's financial statements. In addition, the Regional Office of Education #54 is not aware of any entity that would exercise oversight as to result in the Regional Office of Education #54 being considered a component unit of the entity.

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

NOTES TO THE FINANCIAL STATEMENTS

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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 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*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The Regional Office of Education reports the following major governmental funds:

**General Fund** – The Regional Office of Education #54 maintains no General Fund because the expenses of maintaining its office are paid by Vermilion County.

**Institute** – This fund is used to account for fees from examination, registration and certificate renewals. These funds are used to help pay certain administrative expenses incurred to conduct workshops and for general meetings with teachers and other school personnel.

**General Education Development Fund** – This fund is used to account for proceeds earned from individuals who pay fees to participate in the high school equivalency program and the costs incurred in administering the program.

**Direct Services** – Interest from the Distributive Fund is transferred to this fund to be used for various programs that benefit the school districts or the regional office. Examples are grant match, computer consortium and technology hub. The fund also accounts for monies received for the ROE Schoolwork program.

**Education** – This fund is used to account for State, local and federal grant monies received for, and payment of, administering numerous grant awards for education which include:

**General State Aid** – This fund is used to account for General State Aid received from the Illinois State Board of Education based on the average daily attendance at the Regional Safe School.

**Reorganization Incentive Feasibility Study** – This fund is used to account for State monies received to provide a reorganization feasibility study for school districts.

**State Lunch** – This fund is used to account for State monies received to provide free lunches and breakfasts to eligible needy children enrolled in the Regional Safe School Program.

**Regional Safe Schools** – This fund is used to account for the Regional Safe Schools grant monies. The program concentrates on the education of students who have been expelled from the school districts served by the Regional Office of Education #54.

**National School Lunch Program** – This fund is used to account for the monies received from federal funds for reimbursement for meals served through the school lunch program at the regular price as well as reimbursement of free and reduced-price meals for students enrolled in the Regional Safe Schools Program.

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The Regional Office of Education reports the following nonmajor funds:

**Special Revenue Funds** – Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than those accounted for in the Fiduciary Funds, that are restricted to expenditures for specific purposes. Included among these funds are:

**Bus Driver Training Fund** – This fund is used to account for the fee charged for annual training courses. The funds can be used for supplies and training pertaining to this program.

**Supervisory Fund** – This fund is used to account for the travel and other expenditures necessary to perform the duty of supervising the school districts in the region.

**Board of School Trustees Fund** – This fund is used to account for the expenses of the Regional Board of School Trustees.

Additionally, the Regional Office of Education reports the following fiduciary funds:

**Agency Funds** – Agency Funds are used to account for assets held by the Regional Office of Education #54 in a trustee capacity or as an agent for other governments. The Agency Fund is the Distributive Fund. It accounts for assets held by the Regional Office of Education #54 as an agent for the school districts within its region. This fund is custodial in nature and does not involve the measurement of the results of operations. The financial statements reflect modified accrual basis accounting in which the amounts due to school districts are equal to the assets.

**Expendable Trust Fund** – This fund is used to account for the resources held by the Regional Office of Education #54 as trustee for Vermilion County's Drug and Alcohol Abuse Prevention Program (DAAPP).

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 guidance of the Governmental Accounting Standards Board.

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

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Investments

State regulations require that Regional Office of Education #54 deposit funds under its control into accounts insured by the federal government, secured by substantial collateral, or into pooled investment trusts. All funds not needed for immediate disbursement are maintained in interest bearing accounts.

Statutes authorize the Regional Office of Education #54 to make deposits or invest in obligations of states and their political subdivisions, savings accounts, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Money Market Fund.

2. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

3. Capital Assets

Capital assets are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Office Equipment	5-7
Computer Equipment	3

In the fund financial statements, fixed assets used in governmental operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

3. Capital Assets (continued)

The majority of capital assets used by the Regional Office of Education #54 have been purchased by Vermilion County. These capital assets are property of Vermilion County and included in Vermilion County's financial statements. The Regional Office of Education #54 has not purchased any capital assets that meet its capitalization threshold.

4. Equity Classifications

Government-wide Statements

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

**Investment in capital assets, net of related debt** – Consists of capital assets, net of accumulated depreciation.

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

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

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. The reservation of fund balance in the Direct Services Fund shows an amount restricted for the Regional Office of Education #54's Schoolwork program.

E. New Accounting Pronouncement

The GASB has issued Statement No. 40, *Deposit and Investment Risk Disclosures*, effective for the Regional Office of Education #54's fiscal year beginning July 1, 2004. Statement No. 40 establishes additional disclosure requirements addressing common risks of investments. The Statement had no effect on the Regional Office of Education #54's net assets or changes in net assets.

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

NOTES TO THE FINANCIAL STATEMENTS

2. **BUDGETS AND BUDGETARY ACCOUNTING**

The Regional Office of Education #54 did not adopt and was not legally required to adopt annual budgets for all funds under its control. Some annual budgets prepared were not based upon the same operating period; therefore, budgetary reports comparing budgeted to actual expenditures are not presented.

Budgets relating to programs funded by grants from the Illinois State Board of Education are prepared and submitted to the State Board as part of the grant awards process. The State Board must also approve amendments to these budgets. Grant project budgets are based on the award period. A budget versus actual statement has been presented for the Regional Safe Schools grant.

3. **USE OF 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. Accordingly, actual results could differ from those estimates.

4. **DEPOSITS AND INVESTMENTS**

A. **Deposits**

At June 30, 2005, the carrying amount of the Regional Office of Education #54's deposits was \$178,725 and the bank balance was \$1,757,059. The Regional Office of Education #54's deposits include a \$7,000 certificate of deposit. Of the total bank balances as of June 30, 2005, \$129,775 was secured by federal depository insurance and \$1,627,284 was collateralized with securities held by the pledging financial institution's trust department in the Regional Office of Education #54's name.

B. **Investments**

The Regional Office of Education #54 does not have a formal investments policy, as its only investments are internally pooled in the Illinois Funds Money Market Fund. As June 30, 2005, the Regional Office of Education #54 had investments with carrying and fair values of \$295,802 invested in the Illinois Funds Money Market Fund.

**Credit Risk**

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

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

NOTES TO THE FINANCIAL STATEMENTS

4. **DEPOSITS AND INVESTMENTS** (continued)

B. **Investments** (continued)

**Interest Rate Risk**

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

**Concentration of Credit Risk**

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

5. **DUE TO OTHER GOVERNMENTS**

The Regional Office of Education #54's Agency Fund has funds due to the following governmental entities:

Due To Other Governments:

Local School Districts	<u>\$ 295,802</u>
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6. **PENSION AND RETIREMENT COMMITMENTS**

These financial statements relate information pertaining to the funds administered by the Regional Superintendent. All personnel of the Regional Office of Education #54's office receive their salaries from other sources. The Superintendent and the Assistant Superintendent receive their salaries directly from the Illinois State Board of Education. The other personnel are employees of Vermillion County. There are no pension disclosures to present. Pension disclosures for the Superintendent and Assistant Superintendent are included in the financial statements of the Illinois State Board of Education. Pension disclosures for other employees are included in the Vermillion County annual financial report.

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

NOTES TO THE FINANCIAL STATEMENTS

7. SCHEDULE OF TRANSFERS

Transfers From Other Funds (Transfers In)	Transfers To Other Funds (Transfers Out)
Major Governmental Fund:	Agency Fund:
Direct services <u>\$ 8,861</u>	Distributive fund <u>\$ 8,861</u>

The transfers represent the amount of interest earned on the Distributive Fund checking account that was transferred to the Direct Services Fund during the fiscal year ended June 30, 2005.

8. RETENTION OF INTEREST INCOME

The Regional Superintendent has retained interest income earned on distributive funds passed through his office. The Regional Superintendent has spent this interest income for materials, supplies, and program expenses. Per an agreement dated March 14, 1988, all district superintendents within the Vermilion County region, with approval of their school boards, consented to allow retention of interest earned on such funds by the Regional Superintendent for uses that are in the best interest of the regional school districts. This agreement was retroactive to the inception of the investment program.

**VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54**

**NOTES TO THE FINANCIAL STATEMENTS**

**9. ON-BEHALF PAYMENTS**

The Regional Office of Education #54 has received on-behalf payments from the following governmental entities:

Vermilion County:

Office salaries and benefits	\$ 74,401
Purchased services	12,478
Supplies	3,235
	<hr/>
	90,114

State of Illinois:

Regional Superintendent

Salary	83,453
Benefits	
(includes state paid insurance)	9,738

Assistant Regional Superintendent

Salary	76,263
Benefits	
(includes state paid insurance)	11,939
	<hr/>
	181,393

	<hr/>
	181,393
	<hr/>
\$	271,507
	<hr/>

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 on-behalf payments are reflected as revenues and expenditures of the Direct Services Fund.

**10. BOND**

The 105 ILCS 5/3-2 directs the county board to execute a bond of not less than \$100,000 on the Regional Superintendent. The county board has secured and maintained such a bond with coverage of \$100,000 on the Regional Superintendent.

**VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54**

**NOTES TO THE FINANCIAL STATEMENTS**

**11. RISK MANAGEMENT – CLAIMS AND JUDGEMENT**

The Regional Office of Education #54 is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation; and natural disasters. The Regional Office of Education #54 is covered by commercial insurance provided by Vermilion County to cover these risks of loss. No settlements have exceeded insurance coverage in the current or three previous years.

**12. CONTINGENCIES**

The Regional Office of Education #54 has received funding from federal and state grants in the current and prior years which are subject to audits by granting agencies. The Regional Office of Education #54 believes any adjustments that may arise will be insignificant to Regional Office of Education #54 operations.

**SUPPLEMENTAL INFORMATION**

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND

June 30, 2005

	General State Aid	Reorganization Incentive Feasibility Study	State Lunch
	<u>          </u>	<u>          </u>	<u>          </u>
Assets	\$ -	\$ -	\$ -
Liabilities	\$ -	\$ -	\$ -
Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

COMBINING SCHEDULE OF ACCOUNTS

EDUCATION FUND (continued)

June 30, 2005

	Regional Safe Schools	National School Lunch Program	Total
Assets	\$ -	\$ -	\$ -
Liabilities	\$ -	\$ -	\$ -
Fund Balance	-	-	-
Total liabilities and fund balance	\$ -	\$ -	\$ -

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
EDUCATION FUND ACCOUNTS

For the year ended June 30, 2005

	General State Aid	Reorganization Incentive Feasibility Study	State Lunch
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:			
State sources	\$ 45,379	\$ 2,750	\$ 689
Federal sources	9,076	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>54,455</u>	<u>2,750</u>	<u>689</u>
Expenditures:			
Payments to other governments	<u>54,455</u>	<u>2,750</u>	<u>689</u>
Excess of revenues over expenditures	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES

EDUCATION FUND ACCOUNTS (continued)

For the year ended June 30, 2005

	Regional Safe Schools	National School Lunch Program	Total
Revenues:			
State sources	\$ 110,496	\$ -	\$ 159,314
Federal sources	23,546	12,732	45,354
Total revenues	<u>134,042</u>	<u>12,732</u>	<u>204,668</u>
Expenditures:			
Payments to other governments	<u>134,042</u>	<u>12,732</u>	<u>204,668</u>
Excess of revenues over expenditures	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNTS  
 REGIONAL SAFE SCHOOLS - PROJECT #05-3696-00  
 For the year ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
State sources	\$ 110,496	\$ 110,496	\$ 110,496	\$ -
Federal sources	23,546	23,546	23,546	-
Total revenues	<u>134,042</u>	<u>134,042</u>	<u>134,042</u>	<u>-</u>
Expenditures:				
Payments to other governments	<u>134,042</u>	<u>134,042</u>	<u>134,042</u>	<u>-</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ -</u>	

**VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2005**

	<u>Bus Driver Training</u>	<u>Supervisory</u>	<u>Board of School Trustees</u>	<u>Total</u>
<b>ASSETS</b>				
Cash	\$ 3,608	\$ 1,574	\$ 3,220	\$ 8,402
Investments	-	-	7,000	7,000
Interest receivable	-	-	48	48
	<u>3,608</u>	<u>1,574</u>	<u>10,268</u>	<u>15,450</u>
Total assets	<u>\$ 3,608</u>	<u>\$ 1,574</u>	<u>\$ 10,268</u>	<u>\$ 15,450</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
<b>FUND BALANCES</b>				
Unreserved	<u>3,608</u>	<u>1,574</u>	<u>10,268</u>	<u>15,450</u>
Total liabilities and fund balances	<u>\$ 3,608</u>	<u>\$ 1,574</u>	<u>\$ 10,268</u>	<u>\$ 15,450</u>

**VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS**

**For the year ended June 30, 2005**

	<u>Bus Driver Training</u>	<u>Supervisory</u>	<u>Board of School Trustees</u>	<u>Total</u>
Revenues:				
Local sources	\$ 1,156	\$ -	\$ -	\$ 1,156
State sources	840	1,000	-	1,840
Interest	-	22	60	82
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1,996	1,022	60	3,078
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
Purchased services	1,673	1,768	-	3,441
Supplies and materials	169	-	-	169
Other objects	-	250	5	255
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	1,842	2,018	5	3,865
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	154	(996)	55	(787)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	3,454	2,570	10,213	16,237
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, end of year	<u>\$ 3,608</u>	<u>\$ 1,574</u>	<u>\$ 10,268</u>	<u>\$ 15,450</u>

**VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND**

**For the year ended June 30, 2005**

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
Distributive Fund:				
Assets				
Investments	\$ 260,713	\$ 64,355,364	\$ 64,320,275	\$ 295,802
Due from other government	75,266	64,245,009	64,320,275	-
Total assets	<u>\$ 335,979</u>	<u>\$ 128,600,373</u>	<u>\$ 128,640,550</u>	<u>\$ 295,802</u>
Liabilities				
Due to other fund	\$ -	\$ 8,861	\$ 8,861	\$ -
Due to other governments	335,979	64,280,098	64,320,275	295,802
Total liabilities	<u>\$ 335,979</u>	<u>\$ 64,288,959</u>	<u>\$ 64,329,136</u>	<u>\$ 295,802</u>

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES  
 DISTRIBUTIVE FUND  
 For the year ended June 30, 2005

	Community Unit School District #1 Bismark Illinois	Community Unit School District #2 Westville Illinois	Community Unit School District #4 Georgetown Ridge Farm Illinois	Community Unit School District #5 Catlin Illinois
Bus driver training	\$ -	\$ -	\$ -	\$ -
General state aid	2,297,584	4,904,357	4,732,095	1,597,166
General state aid - hold harmless/ supplemental	-	-	-	-
Special education				
-private facilities	10,039	200	-	-
-extraordinary	19,087	73,520	19,583	36,719
-personnel	91,624	198,357	232,168	82,094
-orphanage	5,901	1,282	2,350	-
-summer	-	465	2,047	54
Vocational education	-	-	-	-
Free lunch and breakfast	2,243	9,788	6,263	847
School breakfast incentive	-	3,500	-	-
Transportation				
-regular	169,870	218,677	178,262	67,013
-special education	75,328	80,161	71,006	873
Truant alternative/optional ed.	-	-	-	-
Early Childhood	-	-	-	-
Reading improvement	22,392	53,415	48,931	14,041
Supervisory fund	-	-	-	-
ADA safety/ed block grant	24,454	34,153	33,339	14,902
Federal school lunch and breakfast program/commodities	65,959	164,474	159,374	30,923
Federal special milk	-	-	-	-
School breakfast program	-	32,883	-	-
Title I - low income	44,030	350,190	374,386	19,034
Title I - migrant program	-	-	-	-
Title I - migrant incentive	-	-	-	-
Title I - comprehensive school reform	-	-	50,000	-
Title I - reading first	-	-	-	-
Drug free schools & communities	3,168	9,711	8,000	1,443
Special Ed - flow through	-	-	-	-
I.D.E.A. - flow through	-	-	-	-
I.D.E.A. - room/board	-	-	-	-
Title II - teacher quality	24,949	77,790	96,475	12,927
Technology - literacy challenge	1,132	6,272	9,600	506
Driver's education	7,323	10,793	10,535	5,371
Reorganization study	-	-	-	-
Summer bridges	-	-	-	-
Regional safe schools	-	-	-	-
Title V - innovative programs	3,731	8,462	6,446	1,763
Orphanage tuition	-	-	-	-
National board certification initiatives	-	3,000	-	-
	<u>\$ 2,868,814</u>	<u>\$ 6,241,450</u>	<u>\$ 6,040,860</u>	<u>\$ 1,885,676</u>

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES  
 DISTRIBUTIVE FUND (continued)  
 For the year ended June 30, 2005

	Community Unit School District #7 Rossville Illinois	Community Unit School District #10 Potomac Illinois	Community Unit School District #11 Hoopston Illinois	Community Unit School District #12 Jamaica Illinois
Bus driver training	\$ -	\$ -	\$ -	\$ -
General state aid	991,311	872,470	4,237,465	1,174,890
General state aid - hold harmless/ supplemental	3,634	-	-	-
Special education				
-private facilities	-	-	10,302	-
-extraordinary	3,446	11,062	147,771	6,778
-personnel	33,616	17,802	223,363	67,133
-orphanage	-	4,511	1,091	-
-summer	-	744	1,609	945
Vocational education	-	-	-	-
Free lunch and breakfast	2,243	862	10,792	1,445
School breakfast incentive	-	-	227	-
Transportation				
-regular	181,142	41,700	228,478	189,455
-special education	50,412	32,574	49,619	74,577
Truant alternative/optional ed.	-	-	-	-
Early Childhood	-	-	-	-
Reading improvement	13,998	9,510	50,984	14,459
Supervisory fund	-	-	-	-
ADA safety/ed block grant	10,787	7,329	36,089	12,304
Federal school lunch and breakfast program/commodities	58,626	23,769	190,979	42,547
Federal special milk	-	337	1,972	-
School breakfast program	-	-	26,039	-
Title I - low income	17,634	31,280	217,128	46,792
Title I - migrant program	-	-	156,664	-
Title I - migrant incentive	-	-	3,125	-
Title I - comprehensive school reform	-	-	-	-
Title I - reading first	-	-	-	-
Drug free schools & communities	1,528	750	7,492	1,580
Special Ed - flow through	-	-	-	-
I.D.E.A. - flow through	-	-	-	-
I.D.E.A. - room/board	-	-	-	-
Title II - teacher quality	11,248	10,851	80,929	15,282
Technology - literacy challenge	1,164	-	6,838	1,429
Driver's education	3,983	-	9,868	4,317
Reorganization study	-	-	-	-
Summer bridges	-	-	-	-
Regional safe schools	-	-	-	-
Title V - innovative programs	10,663	1,000	6,551	2,032
Orphanage tuition	-	-	-	-
National board certification initiatives	-	-	-	-
	<u>\$ 1,395,435</u>	<u>\$ 1,066,551</u>	<u>\$ 5,705,375</u>	<u>\$ 1,655,965</u>

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES  
 DISTRIBUTIVE FUND (continued)  
 For the year ended June 30, 2005

	Community Unit School District #61 Armstrong Ellis Illinois	Community Unit School District #76 Oakwood Illinois	Community Unit School District #118 Danville Illinois	Community Unit School District #225 Armstrong Illinois
Bus driver training	\$ -	\$ -	\$ -	\$ -
General state aid	248,923	3,187,631	19,482,821	105,250
General state aid - hold harmless/ supplemental	-	-	-	-
Special education				
-private facilities	-	-	35,194	-
-extraordinary	9,444	15,252	748,172	2,217
-personnel	11,083	85,158	1,118,473	1,424
-orphanage	8,877	12,926	122,688	-
-summer	-	-	12,491	-
Vocational education	-	-	110,964	-
Free lunch and breakfast	609	3,918	86,429	430
School breakfast incentive	-	-	13,617	-
Transportation				
-regular	37,983	247,227	895,308	29,296
-special education	18,230	69,797	419,891	17,029
Truant alternative/optional ed.	-	-	130,249	-
Early Childhood	-	-	1,692,351	-
Reading improvement	8,072	38,293	291,455	-
Supervisory fund	-	-	-	-
ADA safety/ed block grant	6,488	29,982	163,035	4,839
Federal school lunch and breakfast program/commodities	17,192	110,482	1,230,669	13,391
Federal special milk	-	-	-	-
School breakfast program	483	-	296,521	-
Title I - low income	36,369	132,571	1,897,788	19,448
Title I - migrant program	-	-	-	-
Title I - migrant incentive	-	-	-	-
Title I - comprehensive school reform	-	-	447,952	-
Title I - reading first	-	-	402,726	-
Drug free schools & communities	1,305	4,091	52,499	511
Special Ed - flow through	-	-	90,495	-
I.D.E.A. - flow through	-	-	1,636,236	-
I.D.E.A. - room/board	-	-	17,945	-
Title II - teacher quality	4,721	45,670	565,378	744
Technology - literacy challenge	1,494	3,645	41,976	-
Driver's education	-	10,174	44,221	6,064
Reorganization study	-	-	-	-
Summer bridges	-	-	170,042	-
Regional safe schools	-	-	-	-
Title V - innovative programs	788	4,716	44,229	460
Orphanage tuition	-	-	362,194	-
National board certification initiatives	-	-	15,000	-
	<u>\$ 412,061</u>	<u>\$ 4,001,533</u>	<u>\$ 32,639,009</u>	<u>\$ 201,103</u>

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES  
 DISTRIBUTIVE FUND (continued)  
 For the year ended June 30, 2005

	Vermilion County ROE #54	Total
Bus driver training	\$ 840	\$ 840
General state aid	54,455	43,886,418
General state aid - hold harmless/ supplemental	-	3,634
Special education		
-private facilities	-	55,735
-extraordinary	-	1,093,051
-personnel	-	2,162,295
-orphanage	-	159,626
-summer	-	18,355
Vocational education	-	110,964
Free lunch and breakfast	624	126,493
School breakfast incentive	-	17,344
Transportation		
-regular	-	2,484,411
-special education	-	959,497
Truant alternative/optional ed.	-	130,249
Early Childhood	-	1,692,351
Reading improvement	-	565,550
Supervisory fund	1,000	1,000
ADA safety/ed block grant	-	377,701
Federal school lunch and breakfast program/commodities	12,732	2,121,117
Federal special milk	-	2,309
School breakfast program	-	355,926
Title I - low income	-	3,186,650
Title I - migrant program	-	156,664
Title I - migrant incentive	-	3,125
Title I - comprehensive school reform	-	497,952
Title I - reading first	-	402,726
Drug free schools & communities	-	92,078
Special Ed - flow through	-	90,495
I.D.E.A. - flow through	-	1,636,236
I.D.E.A. - room/board	-	17,945
Title II - teacher quality	-	946,964
Technology - literacy challenge	-	74,056
Driver's education	-	112,649
Reorganization study	2,750	2,750
Summer bridges	-	170,042
Regional safe schools	134,042	134,042
Title V - innovative programs	-	90,841
Orphanage tuition	-	362,194
National board certification initiatives	-	18,000
	<u>\$ 206,443</u>	<u>\$ 64,320,275</u>

**FEDERAL FINANCIAL COMPLIANCE SECTION**

**VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the year ended June 30, 2005**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Project # (1st 8 digits) or Contract #	Federal Expenditures 7/1/04 - 6/30/05
<b>U.S. Department of Health and Human Resources:</b>			
<b>Passed through Illinois State Board of Education</b>			
(m) Regional Safe Schools (TANF)	93.558	05-3696-00	\$ 23,546
(m) General State Aid (TANF)	93.558	05-3001-93	<u>9,076</u>
Total U.S. Department of Health and Human Resources			<u>32,622</u>
<b>U.S. Department of Agriculture:</b>			
<b>Passed through Illinois State Board of Education</b>			
National School Lunch Program	10.555	04-4210-00	1,942
National School Lunch Program	10.555	05-4210-00	<u>10,790</u>
Total U.S. Department of Agriculture			<u>12,732</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 45,354</u></u>

(m) Program was audited as a major program.

The accompanying notes are an integral part of this schedule.  
**VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended June 30, 2005**

**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Regional Office of Education #54 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**2. SUBRECIPIENTS**

Of the federal expenditures presented in the schedule, the Regional Office of Education #54 provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Regional Safe Schools	93.558	<u>\$ 23,546</u>
General State Aid	93.558	<u>\$ 9,076</u>
National School Lunch Program	10.555	<u>\$ 12,732</u>

**3. DESCRIPTIONS OF MAJOR FEDERAL PROGRAMS**

**Regional Safe Schools** – This fund is used to account for the Regional Safe Schools grant monies. The program concentrates on the education of students who have been expelled from the school districts served by the Regional Office of Education #54.

**General State Aid** – This fund is used to account for General State Aid received from the Illinois State Board of Education based on the average daily attendance at the Regional Safe School.

**4. NON-CASH ASSISTANCE**

The note is not applicable to Regional Office of Education #54.

**VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**For the year ended June 30, 2005**

**5. AMOUNT OF INSURANCE**

The note is not applicable to Regional Office of Education #54.

**6. LOANS OR LOAN GUARANTEES OUTSTANDING**

The note is not applicable to Regional Office of Education #54.