

**State of Illinois**  
**HENDERSON, MERCER AND WARREN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION NO. 27**

**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

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27**

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**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27**

**OFFICIALS**

Regional Superintendent  
(current and during the audit period)

Mr. Glen W. Braden

Assistant Regional Superintendent  
(current and during the audit period)

Ms. Jodi Scott

Office is located at:

200 West Broadway  
Monmouth, Illinois 61462

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
JUNE 30, 2005**

**COMPLIANCE REPORT**

**SUMMARY**

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

**AUDITORS' REPORTS**

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

**SUMMARY OF AUDIT FINDINGS**

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	5	8
Repeated audit findings	4	6
Prior recommendations implemented or not repeated	4	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 property and equipment	04-3
05-3	17	Unrecorded and unreconciled bank accounts	04-5
05-4	19	Inadequate documentation of salary rates	04-6
05-5	21	Inadequate chart of accounts	04-7

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
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>
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)			
None			
PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)			
29		Inadequate segregation of duties	04-1
29		Inadequate controls over cash receipts	04-2
29		Insufficient documentation for disbursements	04-4
29		Noncompliance with State mandates	04-8
PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)			
29		Inadequate segregation of duties	04-1

**EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on December 9, 2005 held at the Henderson, Mercer and Warren Counties Regional Office of Education No. 27, 200 West Broadway, Monmouth, Illinois 61462. Representing the ROE were Glen W. Braden, Regional Superintendent, Amy Twomey, Bookkeeper, and Barbara Pearson, Coordinator. Representing E. C. Ortiz & Co., LLP was Stella Marie Santos, CPA, Partner. Responses to the recommendations were provided by Glen W. Braden in a letter dated December 15, 2005.

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27**

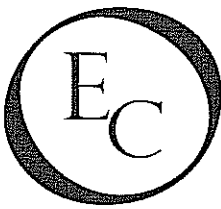
**FINANCIAL STATEMENT REPORT**

**SUMMARY**

The audit of the accompanying basic financial statements of the Henderson, Mercer and Warren Counties Regional Office of Education No. 27 was performed by E. C. Ortiz & Co., LLP.

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





## INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Henderson, Mercer and Warren Counties Regional Office of Education No. 27, as of and for the year ended June 30, 2005, which collectively comprise the Henderson, Mercer and Warren Counties Regional Office of Education No. 27's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Henderson, Mercer and Warren Counties Regional Office of Education No. 27'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Henderson, Mercer and Warren Counties Regional Office of Education No. 27, 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 30, 2005 on our consideration of Henderson, Mercer and Warren Counties Regional Office of Education No. 27'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.

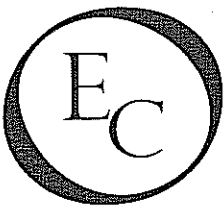
The Management's Discussion and Analysis and the Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 30 to 35 and page 64 are not a required part of the basic financial

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 Henderson, Mercer and Warren Counties Regional Office of Education No. 27'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 *Guidelines to Auditing and Reporting for a Regional Office of Education*, and is also not a required part of the basic financial statements. The combining and individual non-major fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*E. C. Outiz & Co. LLP*

Chicago, Illinois  
November 30, 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 Henderson, Mercer and Warren Counties Regional Office of Education No. 27, as of and for the year ended June 30, 2005, which collectively comprise the Henderson, Mercer and Warren Counties Regional Office of Education No. 27's basic financial statements and have issued our report thereon dated November 30, 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 Henderson, Mercer and Warren Counties Regional Office of Education No. 27's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Henderson, Mercer and Warren Counties Regional Office of Education No. 27's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05-2, 05-3, 05-4, and 05-5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

**Compliance and Other Matters**

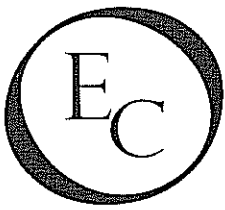
As part of obtaining reasonable assurance about whether the Henderson, Mercer and Warren Counties Regional Office of Education No. 27's financial statements are free of material misstatement, we

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.

*E. C. Ortiz & Co. LLP*

Chicago, Illinois  
November 30, 2005



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON 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 Henderson, Mercer and Warren Counties Regional Office of Education No. 27 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 Henderson, Mercer and Warren Counties Regional Office of Education No. 27's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Henderson, Mercer and Warren Counties Regional Office of Education No. 27's management. Our responsibility is to express an opinion on the Henderson, Mercer and Warren Counties Regional Office of Education No. 27'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 the *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 Henderson, Mercer and Warren Counties Regional Office of Education No. 27'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 Henderson, Mercer and Warren Counties Regional Office of Education No. 27's compliance with those requirements.

In our opinion, the Henderson, Mercer and Warren Counties Regional Office of Education No. 27 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 Henderson, Mercer and Warren Counties Regional Office of Education No. 27 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 Henderson, Mercer and Warren Counties Regional Office of Education No. 27'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 criteria as required by the *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.

*E. C. Ortiz & Co. LLP*

Chicago, Illinois  
November 30, 2005

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**Part I: Summary of the Auditor's Results:**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weakness(es)?   X   Yes \_\_\_\_\_ 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>
93.558	Teen Reach
93.558	Regional Safe Schools (TANF)
93.558	Regional Safe Schools - General State Aid (TANF)
84.213C	Even Start

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

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

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**Part II: Findings Related to the 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:*

Henderson, Mercer and Warren Counties Regional Office of Education No. 27 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. 27 did not comply with statutory requirements.

*Cause:*

Henderson, Mercer and Warren Counties Regional Office of Education No. 27 management stated that the procedures currently being performed are deemed sufficient to comply with this mandate.



**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

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

*Auditors' Recommendations:*

The Regional Office of Education No. 27 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.

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**FINDING NO. 05-2 - Inadequate controls over property and equipment (Repeated from 2004 and 2003 - Finding Nos. 04-3, 03-3)**

*Criteria/Specific Requirements:*

The Regional Office of Education (ROE) Accounting Manual requires each ROE to maintain detailed fixed asset records for both accounting purposes as well as insurance purposes, for fixed assets costing \$500 or more. Generally Accepted Accounting Principles require that an inventory of all fixed assets and depreciation schedules for assets meeting the capitalization threshold for reporting be maintained.

The ROE Accounting Manual also states that the fixed asset inventory records should include: the inventory control number (tag number); major asset class; function and activity; reference to the acquisition source document; acquisition date; vendor; a short description of the asset; unit charged with custody; location; fund and account from which purchased; method of acquisition; estimated useful life and method of depreciation; estimated salvage value; and date, method, and authorization of disposition.

In addition, sound internal controls require that policies and procedures on fixed assets should cover acquisition and tagging, recording and reporting, depreciation (if applicable), transfers and dispositions, and annual physical inventory, and that they should be formally documented and consistently applied.

*Condition:*

The Henderson, Mercer and Warren Counties Regional Office of Education No. 27 did not have adequate controls over fixed assets.

In our test of fixed assets at the local ROE office, we did not locate two cameras on the fixed assets listing. Upon investigation, it was determined that personnel attending seminars had them, however, the items were not signed out in the log-out sheet.

In our test of fixed assets at the Progressive Alternative Secondary School (PASS) location, we noted the following:

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**FINDING NO. 05-2 - Inadequate controls over property and equipment (Repeated from 2004 and 2003 - Finding Nos. 04-3, 03-3) (Continued)**

- The fixed assets listing did not have complete information as to the function and activity; reference to the acquisition source document; acquisition date; acquisition cost; vendor; unit charged with custody; location; fund and account from which purchased; and method of acquisition.
- Equipment items were not tagged with fixed asset tag numbers that clearly indicated they were the property of the ROE. Some items had numbers written in permanent ink.

*Effect:*

The absence of a sound system of internal controls over fixed assets can result in inaccurate reporting of fixed assets and inadequate physical control for equipment items. An incomplete fixed asset listing does not provide an adequate basis for physical control and losses may occur without being detected.

*Cause:*

The Regional Office management stated that the exceptions noted in the local ROE office were isolated incidents. Fixed asset policies and procedures have not been implemented at the PASS office due to lack of staff.

*Auditors' Recommendation:*

The Henderson, Mercer and Warren Counties Regional Office of Education No. 27 should adhere to its fixed asset policy and procedures manual to effectively and efficiently monitor property acquisitions, transfers and disposals, and provide for accurate reporting of fixed asset balances.

The fixed asset listing should be completed to include all the details required by the ROE Accounting Manual and should be checked for accuracy and existence through an annual physical inventory. A reconciliation should be performed between the fixed asset listing and the recorded capital outlay expenditures for the year. All reconciling items should be disposed of in a timely manner.

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**FINDING NO. 05-2 - Inadequate controls over property and equipment (Repeated from 2004 and 2003 - Finding Nos. 04-3, 03-3) (Continued)**

*Management's Response:*

We agree with the recommendations. A sign-out sheet has been updated to allow for numerous sign-outs. Staff has been informed of the importance of signing-out. Inventory will be tested semi annually to increase control. PASS will obtain permanent labels to be affixed to all equipment. An inventory will be taken annually. In addition, a spreadsheet will be created that includes item descriptions, ID number, funding source, cost, disposal date, reason for disposal and method item was disposed.

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**FINDING NO. 05-3 - Unrecorded and unreconciled bank accounts (Repeated from 2004 and 2003 - Finding Nos. 04-5 and 03-5)**

*Criteria/Specific Requirements:*

Sound internal controls require that accounting records accurately and completely record all transactions of the entity. Balances in the general ledger accounts should be reconciled with statement of accounts on a regular basis and adjustments recorded timely and correctly in the books of accounts.

*Condition:*

During our testing of cash and bank reconciliations, we noted four bank accounts with balances totaling \$125,632 as of June 30, 2005 not recorded in the general ledger. These accounts were opened in prior years and were included in the cash balances reported in the financial statements but the adjustments were not posted in the general ledger.

The bank reconciliation as of June 30, 2005 for one bank account with a bank balance of \$81,198 reflected an unreconciled difference of \$1,378.

*Effect:*

Failure to record bank accounts in the general ledger results in inaccurate financial reporting and increases the risk of undetected misappropriation of assets. Unreconciled and unresolved differences in bank reconciliations render the bank reconciliation process ineffective to identify improper and unauthorized cash transactions.

*Cause:*

The bank accounts established in prior years remain unrecorded, as the Regional Office staff was not aware of the proper journal entries to record these balances. The unreconciled difference in one account was due to staff not having sufficient time to investigate the difference.

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**FINDING NO. 05-3 - Unrecorded and unreconciled bank accounts (Repeated from 2004 and 2003 - Finding Nos. 04-5 and 03-5) (Continued)**

*Auditors' Recommendation:*

The Henderson, Mercer and Warren Counties Regional Office of Education No. 27 should immediately record these bank accounts in the General Ledger and properly account for all transactions of these accounts in the books. Bank reconciliations should be performed on all bank accounts on a regular basis and differences identified should be investigated promptly.

*Management's Response:*

We agree with the recommendations. The ROE will establish QuickBooks accounts for the accounts not currently set-up and recorded. PASS will assign codes using the chart of accounts in the ROE Accounting Manual and track all income and expenses.

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**FINDING NO. 05-4 - Inadequate documentation of salary rates (Repeated from 2004 and 2003 - Finding Nos. 04-6 and 03-6)**

*Criteria/Specific Requirements:*

The *Regional Office of Education (ROE) Accounting Manual* general policies concerning payroll procedures state that a master record should be maintained on each employee or contractor for federal and state reporting purposes. The master payroll record should contain at least the following: employee name, social security number, address, date of hire, rate and terms of contract/agreement. In addition, sound internal controls require that payroll rates and amounts be properly authorized and formally documented.

*Condition:*

In our tests of payroll for the PASS Alternative School, we noted that employees did not have employment contracts or formally approved rates of pay. A list of salaries by person is prepared and given to the bookkeeper but the listing does not indicate the person authorizing the salary rates or their effective dates.

*Effect:*

Inadequate documentation of salary rates may result in unauthorized and inaccurate payroll computations. Absence of an employee contract and formal authorization of salary rates may also result in disputes over salary calculations.

*Cause:*

The Henderson, Mercer and Warren Counties Regional Office of Education No. 27's staff stated that the budgeted salary costs in the programs represent the authorized salary rates and additional documentation was not considered necessary since these employees are normally the program managers.

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**FINDING NO. 05-4 - Inadequate documentation of salary rates (Repeated from 2004 and 2003 - Finding Nos. 04-6 and 03-6) (Continued)**

*Auditors' Recommendation:*

The Henderson, Mercer and Warren Counties Regional Office of Education No. 27 should develop employment documentation that would include the authorized payroll rates for a specific period including benefits accruing to the employee. This form should be signed by the Superintendent and the employee. Any changes in rates, benefits and contract period should be formally updated.

*Management's Response:*

We agree with the recommendations. An excel spreadsheet with all the staff, rates, and effective dates will be established. This will be signed by the Regional Superintendent. Individual staff payroll information will be signed by the staff member and the coordinator. Individual staff files will be established with current monthly payroll information and paperwork indicating additional funds for special work services given to staff.



**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**FINDING NO. 05-5 - Inadequate Chart of Accounts (Repeated from 2004 - Finding 04-7)**

*Criteria/Specific Requirements:*

Title 23 Illinois Administrative Code: Education and Cultural Resources, Chapter I, Section 525.160, *Fiscal Procedures* requires the Regional Superintendent of Schools in each Regional Office of Education to maintain accurate financial records in accordance with 23 Illinois Administrative Code 110 *Program Accounting Manual and Regional Office of Education (ROE) Accounting Manual*, as applicable. The manual requires the Regional Office of Education No. 27 to track funding sources as Federal, State, or Local.

*Condition:*

The system of accounts maintained by the Regional Office of Education No. 27 does not correspond with the system of accounts promulgated by the Illinois State Board of Education in the Illinois Program Accounting Manual and ROE Accounting Manual. The Henderson, Mercer and Warren Counties Regional Office of Education No. 27 maintains its system of accounts based on the grants, awards and contracts (programs) it administers. Programs are not maintained in individual separate self-balancing funds. Instead, programs are set-up as cost centers that track only revenues and expenditures by program. In addition, revenues are accounted for using a single revenue code for each program, without regard to the source of the revenue. We also noted that the account descriptions used and the account coding are not consistent in all funds.

*Effect:*

Funding sources are not reported in accordance with the Illinois Program Accounting Manual and ROE Accounting Manual. Financial reports prepared by the ROE require additional analysis and dissemination in order to be comparable and consistent with the requirements of the Illinois State Board of Education and other State and Federal agencies.

*Cause:*

The Henderson, Mercer and Warren Counties Regional Office of Education No. 27 is using an accounting software that had a different chart of accounts coding and set up.

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**FINDING NO. 05-5 - Inadequate Chart of Accounts (Repeated from 2004 - Finding 04-7)**  
(Continued)

The ROE has established its chart of accounts on a grant-by-grant basis using the account coding structure of the software instead of that prescribed by the Illinois Program Accounting Manual and ROE Accounting Manual. The ROE has started to revise its account coding to comply with the Illinois Program Accounting Manual and ROE Accounting Manual but had not completed it in fiscal year 2005.

*Auditors' Recommendation:*

The Henderson, Mercer and Warren Counties Regional Office of Education No. 27 should utilize the system of accounts promulgated by the Illinois State Board of Education as required by the Illinois Administrative Code and by the ROE Accounting Manual. The ROE should complete the conversion of the existing chart of accounts to the account coding and structure consistent with the ROE Accounting Manual. This would ensure that transactions are recorded and reported consistently across all programs and that revenues are reported according to source.

*Management's Response:*

We agree with the recommendations. The ROE Accounting Manual will be used to create new titles and expense accounts with the line item, object codes, and funding sources. The PASS and ROE bookkeepers will work together as much as possible to set up their accounts to coincide with each other. However, since they both have their QuickBooks set up in two different ways, this may still remain on a limited basis.

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**INSTANCES OF NONCOMPLIANCE:**

None

**REPORTABLE CONDITIONS:**

None

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
JUNE 30, 2005**

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

*Condition:*

Henderson, Mercer and Warren Counties Regional Office of Education No. 27 is not examining all books, accounts, and vouchers of every school treasurer in its educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school districts in his region. In addition, the Regional Office gets a spreadsheet from the Illinois State Board of Education (ISBE) that outlines all of the school districts and their audit exceptions, if any. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

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

*Plan:*

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

*Anticipated Date of Completion:*

As soon as practical.

*Name of Contact Person:*

Glen Braden, Regional Superintendent

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
JUNE 30, 2005**

**FINDING NO. 05-2 - Inadequate controls over property and equipment (Repeated from 2004 and 2003 - Finding Nos. 04-3, 03-3)**

*Condition:*

The Henderson, Mercer and Warren Counties Regional Office of Education No. 27 did not have adequate controls over fixed assets.

In our test of fixed assets at the local ROE office, we did not locate two cameras on the fixed assets listing. Upon investigation, it was determined that personnel attending seminars had them, however, the items were not signed out in the log-out sheet.

In our test of fixed assets at the Progressive Alternative Secondary School (PASS) location, we noted the following:

- The fixed assets listing did not have complete information as to the function and activity; reference to the acquisition source document; acquisition date; acquisition cost; vendor; unit charged with custody; location; fund and account from which purchased; and method of acquisition.
- Equipment items were not tagged with fixed asset tag numbers that clearly indicated they were the property of the ROE. Some items had numbers written in permanent ink.

*Plan:*

A sign-out sheet has been updated to allow for numerous sign-outs. Staff has been informed of the importance of signing-out. Inventory will be tested semi annually to increase control. PASS will obtain permanent labels to be affixed to all equipment. An inventory will be taken annually. In addition, a spreadsheet will be created that includes item descriptions, ID number, funding source, cost, disposal date, reason for disposal and method item was disposed.

*Anticipated Date of Completion:*

PASS will have items listed and tagged before the end of fiscal year 2006. The ROE has already updated the sign-out sheets.

*Name of Contact Person:*

Amy Twomey, ROE; Ginger Taylor, PASS

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
JUNE 30, 2005**

**FINDING NO. 05-3 - Unrecorded and unreconciled bank accounts (Repeated from 2004 and 2003 - Finding Nos. 04-5 and 03-5)**

*Condition:*

During our testing of cash and bank reconciliations, we noted four bank accounts with balances totaling \$125,632 as of June 30, 2005 not recorded in the general ledger. These accounts were opened in prior years and were included in the cash balances reported in the financial statements but the adjustments were not posted in the general ledger.

The bank reconciliation as of June 30, 2005 for one bank account with a bank balance of \$81,198 reflected an unreconciled difference of \$1,378.

*Plan:*

The ROE will establish QuickBooks accounts for the accounts not currently set-up and recorded. PASS will assign codes using the chart of accounts in the ROE Accounting Manual and track all income and expenses.

*Anticipated Date of Completion:*

Prior to the end of fiscal year 2006.

*Name of Contact Person:*

Amy Twomey, ROE; Ginger Taylor, PASS

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
JUNE 30, 2005**

**FINDING NO. 05-4 - Inadequate documentation of salary rates (Repeated from 2004 and 2003 - Finding Nos. 04-6 and 03-6)**

*Condition:*

In our tests of payroll for the PASS Alternative School, we noted that employees did not have employment contracts or formally approved rates of pay. A list of salaries by person is prepared and given to the bookkeeper but the listing does not indicate the person authorizing the salary rates or their effective dates.

*Plan:*

An excel spreadsheet with all the staff, rates, and effective dates will be established. This will be signed by the Regional Superintendent. Individual staff payroll information will be signed by the staff member and the coordinator. Individual staff files will be established with current monthly payroll information and paperwork indicating additional funds for special work services given to staff.

*Anticipated Date of Completion:*

Prior to the end of fiscal year 2006.

*Name of Contact Person:*

Ginger Taylor, PASS

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
JUNE 30, 2005**

**FINDING NO. 05-5 - Inadequate Chart of Accounts (Repeated from 2004 - Finding 04-7)**

*Condition:*

The system of accounts maintained by the Regional Office of Education No. 27 does not correspond with the system of accounts promulgated by the Illinois State Board of Education in the Illinois Program Accounting Manual and ROE Accounting Manual. The Henderson, Mercer and Warren Counties Regional Office of Education No. 27 maintains its system of accounts based on the grants, awards and contracts (programs) it administers. Programs are not maintained in individual separate self-balancing funds. Instead, programs are set-up as cost centers that track only revenues and expenditures by program. In addition, revenues are accounted for using a single revenue code for each program, without regard to the source of the revenue. We also noted that the account descriptions used and the account coding are not consistent in all funds.

*Plan:*

The ROE Accounting Manual will be used to create new titles and expense accounts with the line item, object codes, and funding sources. The PASS and ROE bookkeepers will work together as much as possible to set up their accounts to coincide with each other. However, since they both have their QuickBooks set up in two different ways, this may still remain on a limited basis.

*Anticipated Date of Completion:*

Prior to the end of fiscal year 2006.

*Name of Contact Person:*

Amy Twomey, ROE; Ginger Taylor, PASS



**HENDERSON, MERCER AND WARREN COUNTIES  
 REGIONAL OFFICE OF EDUCATION NO. 27  
 SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
 JUNE 30, 2005**

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
04-1	Inadequate segregation of duties	Resolved
04-2	Inadequate controls over cash receipts	Resolved
04-3	Inadequate controls over property and equipment	Repeated as Finding 05-2
04-4	Insufficient documentation for disbursements	Resolved
04-5	Unrecorded and unreconciled bank accounts	Repeated as Finding 05-3
04-6	Inadequate documentation of salary rates	Repeated as Finding 05-4
04-7	Inadequate chart of accounts	Repeated as Finding 05-5
04-8	Noncompliance with State mandates	Resolved

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

The Henderson, Mercer and Warren Counties Regional Office of Education No. 27 (ROE No. 27) 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. 27's financial statements that follow.

**2005 Financial Highlights**

- Within the Governmental Funds, the General Fund revenues increased by \$89,756 (31%) from \$290,828 in FY 2004 to \$380,584 in fiscal year 2005. General Fund expenditures increased by \$67,900 (22%) from \$314,015 in FY 2004 to \$381,915 in FY 2005.
- Within the Governmental Funds, the Special Fund revenue increased by \$256,196 (30%) from \$868,046 in FY 2004 to \$1,124,242 in FY 2005. The Special Fund expenditures increased by \$358,625 (46%) from \$781,995 in FY 2004 to \$1,140,620 in FY 2005.
- The Enterprise Fund revenue increased by \$5,037 (8%) from \$65,531 in FY 2004 to \$70,568 in FY 2005. The Enterprise Fund expenditures decreased by \$18,991 (29%) from \$66,600 in FY 2004 to \$47,609 in FY 2005.
- The ROE No. 27 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. 27'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. 27 as a whole and present an overall view of the Office's finances.
- *Fund financial statements* report the ROE No. 27'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.

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

**Reporting the Henderson, Mercer and Warren Counties Regional Office as a Whole**

It is important to note, that many grants are a cooperative effort of the ROE No. 27 and the Rock Island County Regional Office of Education No. 49 and the Bureau/Henry/Stark Regional Office of Education No. 28.

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

The Government-wide statements report information about the ROE No. 27 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. 27'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. 27 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.

**HENDERSON, MERCER AND WARREN COUNTIES  
 REGIONAL OFFICE OF EDUCATION NO. 27  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 JUNE 30, 2005**

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

- (2) Proprietary funds account for resources from fees charged directly to those entities or individuals that use its services. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by government-wide financial statements. 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. 27 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. 27. The net assets at the end of FY 2005 totaled \$315,624. At the end of FY 2004, the net assets were \$310,374. The analysis that follows provides a summary of the ROE No. 27's net assets as of June 30.

CONDENSED STATEMENT OF NET ASSETS

	<u>2005</u>	<u>2004</u>
Total assets	\$ 329,873	\$ 397,722
Total liabilities	14,249	87,348
Net assets - unrestricted	<u>\$ 315,624</u>	<u>\$ 310,374</u>

The ROE No. 27's net assets increased by \$5,250 (2%) from FY 2004. There had been no significant changes in revenues and expenses in fiscal year 2005.

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

**CHANGES IN NET ASSETS**

	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 107,047	\$ 13,482
Operating grants and contributions	1,087,713	854,208
General revenues:		
On-behalf payments	202,576	201,104
Local sources and others	178,058	155,611
Total revenues	<u>1,575,394</u>	<u>1,224,405</u>
Expenses:		
Program expenses:		
Instructional services	1,367,568	961,506
Administrative	202,576	201,104
Total expenses	<u>1,570,144</u>	<u>1,162,610</u>
Change in net assets	5,250	61,795
Net assets beginning of year	310,374	248,579
Net assets end of year	<u>\$ 315,624</u>	<u>\$ 310,374</u>

**Governmental Activities**

Revenues for governmental activities were \$1,504,826 and expenses were \$1,522,535. The County Budget is kept in a savings account and withdrawn as needed. A withdrawal was made from the Illinois Prime Funds Account amounting to \$20,000. This was distributed to the Distributive Account, Staff Development, ROE No. 27 and Institute Fund for \$5,000 to each fund.

**Financial Analysis of the ROE No. 27 Funds**

As previously noted, the ROE No. 27 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency's Governmental Funds reported combined fund balances were \$293,734.

**Governmental Fund Highlights**

- 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.
- Funds were drawn down from the Illinois Prime Funds and the Warren County Teachers' Credit Union. They were distributed to the original depositing grant/fund. These funds were needed for additional expenses not covered by grants held by the ROE.

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

- The County Budget was left at the same amount as before. Certain line items were removed or reduced to accommodate the County's request for an increase in rent. However, the total budget remained the same as the previous year.

**Proprietary Fund Highlights**

Total proprietary fund net assets increased by \$22,959 (2,148%). The net increase in the proprietary funds revenues and expenses is due to increase in workshop activities.

**Fiduciary Fund Highlights**

There was a decrease of \$8,214 (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. 27 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. 27 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency.

**Capital Assets**

ROE No. 27's capital assets include office equipment, computers, audio-visual equipment, and building improvements. The ROE No. 27 maintains an inventory of capital assets which have been accumulated over time. The ROE No. 27 adopted a capitalization and depreciation threshold of \$5,000 for GASB 34. As of June 30, 2005, there were no assets costing \$5,000 or more.

**Economic Factors and Next Years' Budget**

At the time these financial statements were prepared and audited, the ROE No. 27 was aware of several existing circumstances that could affect its financial condition in the future:

- The ROE received a new Early Childhood Block Grant of \$275,000 for FY 2006.
- The interest rate on investments remains low and will impact interest earned.
- Most grants have remained near or at previous levels with exception of the Even Start Grant had a \$10,000 reduction for the FY 2006 school year.
- County Board support for ROE No. 27 remains the same for FY 2006.

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

- Several pieces of equipment (i.e. computers, copier and printers) will need to be replaced.
- The ROE, at the end of FY 2005, requested that all districts rescind their agreement for their funds to be directly deposited into the ROE account. Each district now has all of their funds directly deposited into their bank accounts. The ROE only receives PASS funds and the grants the ROE holds, such as Even Start and Early Childhood Block Grants. This will reduce the amount of interest received for the Distributive Account.

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

This financial report is designed to provide the ROE No 27'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. 27 at 200 West Broadway, Monmouth, Illinois 61462.

## **BASIC FINANCIAL STATEMENTS**



**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
STATEMENT OF NET ASSETS  
JUNE 30, 2005**

**EXHIBIT A**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business - Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 270,552	\$ 21,890	\$ 292,442
Accounts receivable	197	-	197
Due from other governments	37,234	-	37,234
<b>TOTAL ASSETS</b>	<b>307,983</b>	<b>21,890</b>	<b>329,873</b>
<b>LIABILITIES</b>			
Accounts payable	2,259	-	2,259
Deferred revenues	11,990	-	11,990
<b>TOTAL LIABILITIES</b>	<b>14,249</b>	<b>-</b>	<b>14,249</b>
<b>NET ASSETS</b>			
Unrestricted	293,734	21,890	315,624
<b>TOTAL NET ASSETS</b>	<b>\$ 293,734</b>	<b>\$ 21,890</b>	<b>\$ 315,624</b>

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

HENDERSON, MERCER AND WARREN COUNTIES  
 REGIONAL OFFICE OF EDUCATION NO. 27  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2005

EXHIBIT B

	Program Revenues			Net (Expense) Revenue 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>Governmental activities:</b>						
<b>Instructional services</b>						
Salaries and benefits	\$ 782,679	\$ 3,086	\$ 678,740	\$ (100,853)	\$ -	\$ (100,853)
Purchased services	276,478	31,812	212,361	(32,305)	-	(32,305)
Supplies and materials	160,618	1,581	98,632	(60,405)	-	(60,405)
Payments to other governments	93,650	-	91,590	(2,060)	-	(2,060)
Capital expenditures	6,534	-	6,390	(144)	-	(144)
<b>Administrative</b>						
On-behalf payments	202,576	-	-	(202,576)	-	(202,576)
<b>Total governmental activities</b>	<b>1,522,535</b>	<b>36,479</b>	<b>1,087,713</b>	<b>(398,343)</b>	<b>-</b>	<b>(398,343)</b>
<b>Business-type activities:</b>						
Professional development	47,609	70,568	-	-	22,959	22,959
<b>Total business-type activities</b>	<b>47,609</b>	<b>70,568</b>	<b>-</b>	<b>-</b>	<b>22,959</b>	<b>22,959</b>
<b>Total primary government</b>	<b>\$ 1,570,144</b>	<b>\$ 107,047</b>	<b>\$ 1,087,713</b>	<b>(398,343)</b>	<b>22,959</b>	<b>(375,384)</b>
<b>General revenues:</b>						
Intergovernmental				156,108	-	156,108
Other income				19,049	-	19,049
Interest income				2,901	-	2,901
On-behalf payments				202,576	-	202,576
<b>Total general revenues and transfers</b>				<b>380,634</b>	<b>-</b>	<b>380,634</b>
<b>Change in net assets</b>				<b>(17,709)</b>	<b>22,959</b>	<b>5,250</b>
<b>Net assets - beginning</b>				<b>311,443</b>	<b>(1,069)</b>	<b>310,374</b>
<b>Net assets - ending</b>				<b>\$ 293,734</b>	<b>\$ 21,890</b>	<b>\$ 315,624</b>

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

**HENDERSON, MERCER AND WARREN COUNTIES  
 REGIONAL OFFICE OF EDUCATION NO. 27  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2005**

**EXHIBIT C**

	<u>General Fund</u>	<u>Education Fund</u>	<u>Other Non- Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 99,012	\$ 104,614	\$ 66,926	\$ 270,552
Accounts receivable	-	197	-	197
Due from other governments	-	37,234	-	37,234
<b>TOTAL ASSETS</b>	<u>99,012</u>	<u>142,045</u>	<u>66,926</u>	<u>307,983</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	1,309	950	-	2,259
Deferred revenues	-	11,990	-	11,990
Total liabilities	<u>1,309</u>	<u>12,940</u>	<u>-</u>	<u>14,249</u>
<b>FUND BALANCES</b>				
Unreserved, reported in				
General fund	97,703	-	-	97,703
Special revenue funds	-	129,105	66,926	196,031
Total fund balances	<u>97,703</u>	<u>129,105</u>	<u>66,926</u>	<u>293,734</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 99,012</u>	<u>\$ 142,045</u>	<u>\$ 66,926</u>	<u>\$ 307,983</u>

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

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2005**

**EXHIBIT D**

Total fund balances - governmental funds	\$	293,734
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>-</u>
Net assets of governmental activities	\$	<u><u>293,734</u></u>

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

HENDERSON, MERCER AND WARREN COUNTIES  
 REGIONAL OFFICE OF EDUCATION NO. 27  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005

EXHIBIT E

	General Fund	Education Fund	Other Non-Major Funds	Total Governmental Funds
<b>REVENUES</b>				
Federal sources	\$ -	\$ 376,496	\$ -	\$ 376,496
State sources	-	325,781	3,480	329,261
Local sources				
Intergovernmental	156,108	383,011	782	539,901
Service	-	-	32,217	32,217
Other	19,049	2,425	-	21,474
Interest income	2,851	50	-	2,901
On-behalf payments	202,576	-	-	202,576
Total revenues	<u>380,584</u>	<u>1,087,763</u>	<u>36,479</u>	<u>1,504,826</u>
<b>EXPENDITURES</b>				
Current:				
Instructional Services:				
Salaries and benefits	86,265	694,008	2,406	782,679
Purchased services	34,539	217,137	24,802	276,478
Supplies and materials	58,535	100,850	1,233	160,618
Capital expenditures	-	6,534	-	6,534
Payments to other governments	-	93,650	-	93,650
On-behalf payments	202,576	-	-	202,576
Total expenditures	<u>381,915</u>	<u>1,112,179</u>	<u>28,441</u>	<u>1,522,535</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(1,331)	(24,416)	8,038	(17,709)
<b>OTHER FINANCING USES</b>				
Transfers in (out)	(60)	30	30	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	(1,391)	(24,386)	8,068	(17,709)
<b>FUND BALANCE, UNRESTRICTED BEGINNING OF YEAR</b>	<u>99,094</u>	<u>153,491</u>	<u>58,858</u>	<u>311,443</u>
<b>FUND BALANCE, UNRESTRICTED END OF YEAR</b>	<u>\$ 97,703</u>	<u>\$ 129,105</u>	<u>\$ 66,926</u>	<u>\$ 293,734</u>

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

**HENDERSON, MERCER AND WARREN COUNTIES  
 REGIONAL OFFICE OF EDUCATION NO. 27  
 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 \$ (17,709)

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	\$ -	
Depreciation expense	-	-

Change in net assets of governmental activities \$ (17,709)

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

**HENDERSON, MERCER AND WARREN COUNTIES  
 REGIONAL OFFICE OF EDUCATION NO. 27  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 JUNE 30, 2005**

**EXHIBIT G**

	<b>Business Type Activities - Enterprise Funds</b>		<b>Total Proprietary Funds</b>
	<b>Staff Development</b>	<b>Criminal Background Investigation</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 19,060	\$ 2,830	\$ 21,890
<b>TOTAL ASSETS</b>	<u>19,060</u>	<u>2,830</u>	<u>21,890</u>
<b>NET ASSETS</b>			
Unrestricted	<u>\$ 19,060</u>	<u>\$ 2,830</u>	<u>\$ 21,890</u>

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

HENDERSON, MERCER AND WARREN COUNTIES

EXHIBIT H

REGIONAL OFFICE OF EDUCATION NO. 27

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Business Type Activities - Enterprise Funds		Total Proprietary Funds
	Staff Development	Criminal Background Investigation	
<b>OPERATING REVENUES</b>			
Local sources	\$ 67,738	\$ 2,830	\$ 70,568
Total revenues	<u>67,738</u>	<u>2,830</u>	<u>70,568</u>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	5,361	-	5,361
Purchased services	34,347	-	34,347
Supplies and materials	7,901	-	7,901
Total operating expenses	<u>47,609</u>	<u>-</u>	<u>47,609</u>
<b>OPERATING INCOME</b>	20,129	2,830	22,959
<b>TOTAL NET ASSETS, July 1, 2004</b>	<u>(1,069)</u>	<u>-</u>	<u>(1,069)</u>
<b>TOTAL NET ASSETS, June 30, 2005</b>	<u>\$ 19,060</u>	<u>\$ 2,830</u>	<u>\$ 21,890</u>

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



**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

**EXHIBIT I**

	<b>Business Type Activities - Enterprise Funds</b>		<b>Total Proprietary Funds</b>
	<b>Staff Development</b>	<b>Criminal Background Investigation</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts for workshops/services	\$ 67,738	\$ 2,830	\$ 70,568
Payment to suppliers and providers of goods and services	(42,248)	-	(42,248)
Payment to employees	(5,361)	-	(5,361)
Net cash provided by operating activities	<u>20,129</u>	<u>2,830</u>	<u>22,959</u>
<b>NET INCREASE IN CASH</b>	20,129	2,830	22,959
<b>CASH, BEGINNING OF YEAR</b>	<u>(1,069)</u>	<u>-</u>	<u>(1,069)</u>
<b>CASH, END OF YEAR</b>	<u>\$ 19,060</u>	<u>\$ 2,830</u>	<u>\$ 21,890</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 20,129	\$ 2,830	\$ 22,959
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	-	-	-
Effects of changes in assets and liabilities:			
Accounts receivable	-	-	-
Accounts payable	-	-	-
Due from other governments	-	-	-
Net cash provided by operating activities	<u>\$ 20,129</u>	<u>\$ 2,830</u>	<u>\$ 22,959</u>

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

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
JUNE 30, 2005**

**EXHIBIT J**

**ASSETS**

Cash and cash equivalents	<u>\$ 72,233</u>
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**LIABILITIES**

Due to other governments	<u>\$ 72,233</u>
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*The notes to the financial statements are an integral part of this statement.*

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

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

**A. Reporting Entity**

The Henderson, Mercer and Warren Counties Regional Office of Education No. 27 operates under the School Code (Articles 3 and 3A of Illinois Compiled Statutes, Chapter 105). This encompasses Henderson, Mercer and Warren Counties, Illinois. The Regional Superintendent of Schools (Superintendent) serves as chief administrative officer of the Regional Office of Education No. 27 and is elected pursuant to Article 3 of Illinois Compiled Statutes, Chapter 105. The principal financial duty of the Superintendent is to receive and distribute monies due to school districts from general state aid, state categorical grants, and various other sources.

The basic financial statements include all funds of Regional Office of Education No. 27.

These are the only activities considered to be part of (controlled by or dependent on) the Regional Office of Education No. 27, as determined by the application of the criteria set forth in Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity. The criteria for inclusion of an entity include, but are not limited to, legal standing, fiscal dependency, imposition of will and potential for financial benefit or burden.

Henderson, Mercer and Warren Counties Regional Office of Education No. 27 has determined that no other outside agency meets any of the above criteria and, therefore, no other agency has been included as a component unit in the financial statements. Furthermore, the Henderson, Mercer and Warren Counties Regional Office of Education No. 27 does not consider itself to be a component unit of any other 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.

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

Certain 2004 amounts have been reclassified to conform to the 2005 presentation. The Staff Development and Criminal Background Investigation fund activities were previously classified and reported in the General Fund and are currently classified and reported as proprietary funds.

C. Change in Accounting Principles

Effective July 1, 2004, the Henderson, Mercer and Warren Counties Regional Office of Education No. 27 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 Henderson, Mercer and Warren Counties Regional Office of Education No. 27's financial statements.

D. Measurement focus and basis of accounting

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

Governmental fund and fiduciary financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
NOTES TO THE FINANCIAL STATEMENTS  
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current period. Henderson, Mercer and Warren Counties Regional Office of Education No. 27 considers revenues as available if they are collected within 60 days after yearend. Expenses 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.

There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

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

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

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

**E. Basis of presentation - Fund Accounting**

The accounts 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 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 type in the financial statements. The following summarizes the fund types and account groups 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

**HENDERSON, MERCER AND WARREN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION NO. 27**  
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current liabilities are accounted for through Governmental Funds. The Governmental Funds include the following:

General Fund - to account for resources traditionally associated with government which are not required, legally or by sound financial management, to be accounted for in another fund.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than those accounted for in the Fiduciary Funds) that are legally restricted to expenditures for specified purposes. The Henderson, Mercer and Warren Counties Regional Office of Education No. 27 reported the following special revenue funds as major governmental funds:

Education Fund - to account for grant money from the following sources:

Teen Reach - Department of Human Services (DHS) - to account 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.

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

Even Start - Statewide Family Literacy Program - to account for the grant monies received for, and payment of, expenditures incurred for the Even Start Grant.

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

Child and Adult Care Food Program - to account for the grant monies received for, and payment of, expenditures incurred for Child and Adult Care Food Program.

McDonough/Hancock ROE Homeless Grant - to account for the grant monies received for, and payment of, expenditures incurred for the Homeless Grant from the McDonough/Hancock ROE.

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Bureau/Henry/Stark ROE Century 21 Grant - to account for the grant monies received for, and payment of, expenditures incurred for the 21<sup>st</sup> Century Learning Centers Grant from the Bureau/Henry/Stark ROE.

KIDS Standards Aligned Classroom - to account for the grant monies received for, and payment of, expenditures incurred for the KIDS Standards Aligned Classroom.

High Roads Youth Program - to account for the grant monies received for, and payment of, expenditures incurred for the High Roads Youth Program.

Progressive Alternative Secondary School (P.A.S.S.) - to account for the administration of monies used for the following sources:

General State Aid - to account for the administration of monies to be received for, and payment of, expenditures for the Progressive Alternative Secondary School.

Adult Education and Family Literacy - State Basic - to account for grant monies received for, and payment of, expenditures incurred for students in high school, General Educational Development, and computer classes with high reading level.

Adult Education and Family Literacy - State Performance - to account for grant monies for formula-driven rewards for successful completion of the program.

Adult Education and Family Literacy - Public Assistance - to account for grant monies received from the Department of Human Services for expenditures incurred for educational services given for students on public assistance.

Regional Safe Schools - to account for the administration of monies to be used for the Regional Safe Schools Program Fund by the Illinois State Board of Education.

Title V - Innovative Program - to account for grant monies received and expenditures for Title V - Innovative Program.

Title IV - Safe and Drug Free Schools - Formula - to account for grant monies received and expenditures for the drug prevention program.

**HENDERSON, MERCER AND WARREN COUNTIES**  
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Federal Adult Education - Basic - used to account for federal grant monies received for, and payment of, education and literacy for adults.

Title II - Teacher Quality - to account for grant monies received for, and payment of, expenditures for the training and course work of Regional Safe School teachers to improve instruction in the classroom.

State Free Lunch and Breakfast - to account for grant monies received for, and payment of, expenditures for the State Free Lunch and Breakfast program.

National School Lunch Program - to account for grant monies received for, and payment of, expenditures for the National School Lunch program.

School Breakfast Program - to account for grant monies received for, and payment of, expenditures for the School Breakfast program.

School Breakfast Incentive - to account for grant monies received for, and payment of, expenditures for the School Breakfast Incentive program.

Illinois Violence Prevention Act (IVPA) Mini-Grant - to account for funds received from IVPA to provide community awareness, coordination and training to impede family violence.

Other Non-Major Funds

The Henderson, Mercer and Warren Counties Regional Office of Education No. 27 reported the following special revenue funds as non-major governmental programs:

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

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



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Bus Driver Training - to account for the stewardship of the assets held in trust in connection with the Bus Driver Training Program.

American College Test (ACT) Class - to account for the administration of classes to prepare students for the ACT.

Education Administration - to account for the stewardship of the assets held in trust per agreement with the Boards of Education of the local school districts on the use of interest earnings earned from temporary investment of distributive funds.

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

Proprietary Fund Types

Enterprise Funds - used to account for resources from fees charged directly to those entities or individuals that use the services of the Henderson, Mercer and Warren Counties Regional Office of Education No. 27. This consists mainly of monies received for, and payment of, expenditures for workshops and other services for the school districts.

Staff Development - to account for local revenues and disbursements related to the development of staff.

Criminal Background Investigation - to account for the assessments received from the school districts to pay for the processing of background checks of substitute teachers and expenditures incurred providing this service to the school districts.

Fiduciary Fund Type

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

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

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

**HENDERSON, MERCER AND WARREN COUNTIES  
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ROE No. 27 Grant Program - a convenience clearing account for certain expenditures shared between Henderson, Mercer and Warren Counties Regional Office of Education No. 27 and other entities sharing the same office building.

F. Interest Revenue

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

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

G. License and Permits

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

H. Revenues - Exchange and Non-exchange Transactions

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

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.

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

I. Capital Assets

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

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

As of June 30, 2005, there were no items costing \$5,000 or more.

J. Deferred Revenues

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

K. Net Assets

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

*Invested in Capital Assets* - represents the ROE's total investment in capital assets. There were no items meeting the capitalization threshold of \$5,000 as of June 30, 2005.

*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.

L. Management Estimates

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

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

**M. Investments and Cash Accounts**

State regulations require that the Henderson, Mercer and Warren Counties Regional Office of Education No. 27 deposit funds under its control into accounts insured by the federal government, secured by substantial collateral or into pooled investment trusts. All funds not needed for immediate disbursements are maintained in interest bearing accounts. Statutes authorize the Henderson, Mercer and Warren Counties Regional Office of Education No. 27 to make deposits or invest in obligation of states and their political subdivisions, savings accounts, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Public Treasurer's Investment Pool.

**N. Revenues 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.

**O. Budgets and Budgetary Accounting**

Henderson, Mercer and Warren Counties Regional Office of Education No. 27 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 the Budgetary Comparison Schedules for the following programs: Teen Reach - Department of Human Services, Title I - Reading First Part B SEA Funds, Even Start - Statewide Family Literacy Program, Adult Education and Family Literacy - State Basic, Adult Education and Family Literacy - State Performance, Adult Education and Family Literacy - Public Assistance, Regional Safe Schools, Title V - Innovative Programs, Title IV - Safe and Drug Free Schools Formula, Federal Adult Education - Basic and Title II - Teacher Quality.

**NOTE 2 - INTERGOVERNMENTAL AGREEMENT**

Henderson, Mercer and Warren Counties Regional Office of Education No. 27 entered into an Intergovernmental Agreement with Rock Island Regional Office of Education No. 49 executed pursuant to the provisions of the Intergovernmental Cooperation Clause of the Illinois Constitution as well as the provisions of the Intergovernmental Cooperation Act of 1973 and the Illinois Admin. Code 525.110.

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 3 - CASH AND INVESTMENTS**

The Henderson, Mercer and Warren Counties Regional Office of Education No. 27 utilizes several different bank accounts for its various activities. The book balance of such accounts is \$364,675 at June 30, 2005, while the bank balance was \$518,545. 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 Henderson, Mercer and Warren Counties Regional Office of Education No. 27 in its name.

Category 2 includes deposits covered by collateral held by the financial institutions in a pledged safekeeping account in the name of Henderson, Mercer and Warren Counties Regional Office of Education No. 27.

Category 3 includes deposits which are uncollateralized or the collateral is held by the financial institution trust department but not in the name of Henderson, Mercer and Warren Counties Regional Office of Education No. 27.

The ROE's deposits are covered by the Federal Deposit Insurance Corporation (FDIC) and by collateral held by the financial institution in the ROE's name. Although deposit balances classified under the traditional risk categories 1 and 2 have been determined under GASB Statement No. 40 to be exposed to only minimal risk, and, based on this conclusion, the 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	\$ 295,361
Category 2	152,045
Category 3	-
Exempt	71,139
Total	<b>\$ 518,545</b>

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
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The exempt funds are those deposited into the Illinois Funds.

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

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

**NOTE 4 - INTEREST ON DISTRIBUTIVE FUND**

Interest earned on distributive fund receipts is recorded in the General Fund by the consent of all affected school boards and other entities. Per agreement with the Boards of Education of the local school districts included under Henderson, Mercer and Warren Counties Regional Office of Education No. 27's jurisdiction, they are to utilize interest earnings on temporary investments of distributive funds for the mutual benefit of all the local agencies. The interest monies are deposited to the Education Administration Special Revenue Fund and at the direction of the Regional Superintendent are expended for the mutual benefit of all local agencies.

**NOTE 5 - INTERFUND TRANSFERS**

The composition of interfund transfers for the year ended June 30, 2005 is as follows:

	<u>Transfers-out</u>	<u>Transfers-in</u>
General Fund	(\$60)	
Education Fund - Even Start Local		\$30
Institute Fund		30

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
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**NOTE 6 - EMPLOYEE BENEFIT PLAN**

The Henderson, Mercer, and Warren Counties Regional Office of Education No. 27'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 Henderson, Mercer and Warren Counties Regional Office of Education No. 27 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2004 was 9.30 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 Henderson, Mercer, and Warren Counties Regional Office of Education No. 27's annual pension cost of \$21,995 was equal to the Henderson, Mercer, and Warren Counties Regional Office of Education No. 27's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2004 actuarial valuation were based on the 1999-2001 experience study.

**HENDERSON, MERCER AND WARREN COUNTIES  
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<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	\$ 21,995	100%	\$ —
12/31/03	19,737	100%	—
12/31/02	9,701	100%	—
12/31/01	11,448	100%	—
12/31/00	10,236	100%	—
12/31/99	8,330	100%	—
12/31/98	6,612	100%	—
12/31/97	3,183	100%	—
12/31/96	540	100%	—
12/31/95	966	100%	—

**NOTE 7 - RETIREMENT PLANS**

Teachers' Retirement System of the State of Illinois

The Henderson, Mercer, and Warren Counties Regional Office of Education No. 27 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago.

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

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. Active TRS members are required to contribute 9 percent of their creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer.

In addition, virtually all 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



**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

retirement plan. The member THIS Fund health insurance contribution was 0.75 percent during the year ended June 30, 2005.

The State of Illinois makes contributions directly to TRS on behalf of the Henderson, Mercer, and Warren Counties Regional Office of Education No. 27's TRS-covered employees.

- **On behalf Contributions.** The State of Illinois makes employer pension contributions on behalf of the Henderson, Mercer, and Warren Counties Regional Office of Education No. 27. For the year ended June 30, 2005, State of Illinois contributions were based on 11.76 percent of creditable earnings, and the Henderson, Mercer, and Warren Counties Regional Office of Education No. 27 recognized revenue and expenditures of \$23,713 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 (\$17,956) and 13.01 percent (\$25,977), respectively.

The Henderson, Mercer, and Warren Counties Regional Office of Education No. 27 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 as the employer share of the 2.2 formula change. Contributions for the years ended June 30, 2005, and June 30, 2004, were \$1,170 and \$1,157, 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 \$1,158.
- **Federal and trust fund contributions.** When TRS members are paid from federal and trust funds administered by the Henderson, Mercer, and Warren Counties Regional Office of Education No. 27, there is a statutory requirement for the Henderson, Mercer, and Warren Counties Regional Office of Education No. 27 to pay an additional contribution that is currently 10.5 percent of salaries paid from those funds. For the year ended June 30, 2005, salaries totaling \$286 were paid from federal and trust funds that required employer contributions of \$30. For the years ended June 30, 2004 and June 30, 2003, required Henderson, Mercer, and Warren Counties Regional Office of Education No. 27 contributions were \$372 and \$549, respectively.
- **Early Retirement Option.** The Henderson, Mercer, and Warren Counties Regional Office of Education No. 27 is also required to make one-time employer contributions to TRS for members who retired under the Early Retirement Option. The payments vary

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

depending on the age and salary of the member. No member or employer contributions are required if the member has 34 years of service. The maximum employer payment of 100 percent of the member's highest salary used in the calculation of final average salary is required if the member is 55 years old. For the years ended June 30, 2005 and June 30, 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

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

member's highest salary used in the calculation of final average salary to 117.5 percent.

- The waiver of member and employer ERO contributions when the member has 34 years of service ended with the program that expired June 30, 2005.
- A "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007.
- Public Act 94-0004 provides for a review of the member and employer ERO contributions every five years to ensure that the program is revenue neutral.

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

**NOTE 8 - DUE FROM/TO OTHER GOVERNMENTS**

The Henderson, Mercer and Warren Counties Regional Office of Education No. 27's Special Revenue Fund and various grant programs have funds due from/to the following government agencies:

**DUE FROM OTHER GOVERNMENTS**

Illinois State Board of Education	\$ 19,134
Department of Human Services	<u>6,100</u>
Total	<u>\$ 25,234</u>

**DUE TO OTHER GOVERNMENTS**

Local School Districts	<u>\$ 60,233</u>
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**NOTE 9 - ON-BEHALF PAYMENTS**

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

**HENDERSON, MERCER AND WARREN COUNTIES  
 REGIONAL OFFICE OF EDUCATION NO. 27  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2005**

Regional Superintendent Salary	\$	79,848
Assistant Regional Superintendent Salary		71,864
Regional Superintendent Fringe Benefits (includes State paid insurance)		9,024
Assistant Regional Superintendent Fringe Benefits (includes State paid insurance)		18,127
TRS Contributions		23,713
Total	\$	<u>202,576</u>

**NOTE 10 - DEFICIT FUND BALANCES**

At June 30, 2005, the following funds had deficit fund balances. They are expected to correct themselves in 2006, through payments from the State and transfers from local funds.

Education Funds		
Title I Reading First Part B SEA Funds	\$	1,272
Child and Adult Care Food Program		1,698
Adult Education and Family Literacy - State Basic		5
Adult Education and Family Literacy - State Performance		9
Other Non-major Funds		
General Educational Development		4,997

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

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION No. 27  
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	\$373,512	\$418,360	\$44,848	89.28%	\$236,506	18.96%
12/31/03	335,060	378,646	43,586	88.49%	263,865	16.52%
12/31/02	313,751	317,224	3,473	98.91%	241,324	1.44%
12/31/01	284,306	264,492	(19,814)	107.49%	170,607	(11.61%)
12/31/00	242,009	210,403	(31,606)	115.02%	123,624	(25.57%)
12/31/99	196,844	180,437	(16,407)	109.09%	121,256	(13.53%)
12/31/98	150,629	149,510	(1,119)	100.75%	123,584	(0.90%)
12/31/97	118,046	113,572	(4,474)	103.94%	122,209	(3.66%)
12/31/96	95,071	88,685	(6,386)	107.20%	61,317	(10.41%)
12/31/95	86,341	73,928	(12,413)	116.79%	59,974	(20.70%)

On a market value basis, the actuarial value of assets as of December 31, 2004 is \$374,329.  
On a market basis, the funded ratio would be 89.48%.

**\*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**

SCHEDULE 1

HENDERSON, MERCER AND WARREN COUNTIES  
 REGIONAL OFFICE OF EDUCATION NO. 27  
 COMBINING SCHEDULE OF ACCOUNTS  
 EDUCATION FUND  
 JUNE 30, 2005

	Teen Reach - Department of Human Services	Title I		Even Start - Statewide		Even Start Local	Child and Adult Care Food Program	McDonough/ Hancock ROE Homeless Grant
		Reading First Part B SEA Funds	SEA Funds	Family Literacy Program	Literacy Program			
Cash and cash equivalents (overdrafts)	\$ (2,544)	\$ (6,604)	\$ (6,802)	\$ 12,490	\$ (1,870)	\$ -		
Accounts receivable	197	-	-	-	-	-		
Due from other funds	-	-	-	-	-	-		
Due from other governments	6,100	5,535	6,869	-	172	-		
<b>TOTAL ASSETS</b>	<b>3,753</b>	<b>(1,069)</b>	<b>67</b>	<b>12,490</b>	<b>(1,698)</b>	<b>-</b>		

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	197	-	-	-	-	-	
Deferred revenues	-	203	-	11,787	-	-	
Total Liabilities	197	203	-	11,787	-	-	

FUND BALANCES

Fund balances (deficit), unreserved	3,556	(1,272)	67	703	(1,698)	-	
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TOTAL LIABILITIES  
AND FUND BALANCES

\$ 3,753	\$ (1,069)	\$ 67	\$ 12,490	\$ (1,698)	\$ -	
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SCHEDULE 1  
(CONTINUED)

HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND  
JUNE 30, 2005

	Bureau/ Henry/ Stark ROE Century 21 Grant	KIDS Standards Aligned Classroom	High Roads Youth Program	Progressive Alternative Secondary School (P.A.S.S.)	Total
Cash and cash equivalents (overdrafts)	\$ 7,827	\$ 3,100	\$ (4,012)	\$ 103,029	\$ 104,614
Accounts receivable	-	-	-	-	197
Due from other funds	-	-	-	-	-
Due from other governments	-	-	5,471	13,087	37,234
<b>TOTAL ASSETS</b>	<b>7,827</b>	<b>3,100</b>	<b>1,459</b>	<b>116,116</b>	<b>142,045</b>

**LIABILITIES AND FUND BALANCES**

**LIABILITIES**

Accounts payable	-	-	-	753	950
Deferred revenues	-	-	-	-	11,990
Total Liabilities	-	-	-	753	12,940

**FUND BALANCES**

Fund balances (deficit), unreserved	7,827	3,100	1,459	115,363	129,105
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**TOTAL LIABILITIES  
AND FUND BALANCES**

\$ 7,827	\$ 3,100	\$ 1,459	\$ 116,116	\$ 142,045
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SCHEDULE 2

HENDERSON, MERCER AND WARREN COUNTIES  
 REGIONAL OFFICE OF EDUCATION NO. 27  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 EDUCATION FUND  
 FOR THE YEAR ENDED JUNE 30, 2005

	Teen Reach - Department of Human Services	Title I Reading First Part B SEA Funds	Even Start - Statewide Family Literacy Program	Even Start Local	Child and Adult Care Food Program	McDonough/ Hancock ROE Homeless Grant
<b>REVENUES</b>						
Federal revenue	\$ 79,158	\$ 23,767	\$ 195,000	\$ -	\$ 4,419	\$ -
State revenue	-	-	-	-	-	-
Local sources	-	-	-	-	-	-
Intergovernmental	-	-	-	3,139	-	9,498
Other	106	-	-	-	704	-
Interest	50	-	-	-	-	-
Total revenues	79,314	23,767	195,000	3,139	5,123	9,498
<b>EXPENDITURES</b>						
Salaries and benefits	69,238	6,267	70,592	410	-	7,217
Purchased services	10,258	8,632	25,319	2,729	-	622
Supplies and materials	-	6,490	9,555	-	6,821	1,659
Payment to other governments	-	3,650	90,000	-	-	-
Capital expenditures	-	-	-	-	-	-
Total expenditures	79,496	25,039	195,466	3,139	6,821	9,498
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(182)	(1,272)	(466)	-	(1,698)	-
<b>OTHER FINANCING SOURCES</b>						
Transfer in	-	-	-	30	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	(182)	(1,272)	(466)	30	(1,698)	-
<b>FUND BALANCES, UNRESERVED BEGINNING OF YEAR</b>	3,738	-	533	673	-	-
<b>FUND BALANCES (DEFICIT), UNRESERVED END OF YEAR</b>	\$ 3,556	\$ (1,272)	\$ 67	\$ 703	\$ (1,698)	\$ -

SCHEDULE 2  
(CONTINUED)

HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
EDUCATION FUND  
FOR THE YEAR ENDED JUNE 30, 2005

	Bureau/ Henry/ Stark ROE Century 21 Grant	KIDS Standards Aligned Classroom	High Roads Youth Program	Progressive Alternative Secondary School (P.A.S.S.)	Total
<b>REVENUES</b>					
Federal revenue	\$ -	\$ -	\$ -	\$ 74,152	\$ 376,496
State revenue	-	-	-	325,781	325,781
Local sources					
Intergovernmental	130,352	74,530	105,217	60,275	383,011
Other	-	-	-	1,615	2,425
Interest	-	-	-	-	50
Total revenues	<u>130,352</u>	<u>74,530</u>	<u>105,217</u>	<u>461,823</u>	<u>1,087,763</u>
<b>EXPENDITURES</b>					
Salaries and benefits	48,229	10,339	65,647	416,069	694,008
Purchased services	30,159	57,955	35,208	46,255	217,137
Supplies and materials	37,603	3,136	2,903	32,683	100,850
Payment to other governments	-	-	-	-	93,650
Capital expenditures	6,534	-	-	-	6,534
Total expenditures	<u>122,525</u>	<u>71,430</u>	<u>103,758</u>	<u>495,007</u>	<u>1,112,179</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	7,827	3,100	1,459	(33,184)	(24,416)
<b>OTHER FINANCING SOURCES</b>					
Transfer in	-	-	-	-	30
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	7,827	3,100	1,459	(33,184)	(24,386)
<b>FUND BALANCES, UNRESERVED BEGINNING OF YEAR</b>	-	-	-	148,547	153,491
<b>FUND BALANCES (DEFICIT), UNRESERVED END OF YEAR</b>	\$ 7,827	\$ 3,100	\$ 1,459	\$ 115,363	\$ 129,105

SCHEDULE 3

HENDERSON, MERCER, AND WARREN COUNTIES  
 REGIONAL OFFICE OF EDUCATION NO. 27  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND  
 FOR THE YEAR ENDED JUNE 30, 2005

Teen Reach - Department of Human Services		Title I - Reading First Part B SEA Funds			
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 73,200	\$ 79,158	\$ 5,958	\$ 23,980	\$ 23,767	\$ (213)
-	106	106	-	-	-
-	50	50	-	-	-
<u>73,200</u>	<u>79,314</u>	<u>6,114</u>	<u>23,980</u>	<u>23,767</u>	<u>(213)</u>
<b>REVENUES</b>					
Federal sources					
Local sources					
Other					
Interest					
Total revenues					
60,852	69,238	(8,386)	5,475	6,267	(792)
11,464	10,258	1,206	8,000	8,632	(632)
214	-	214	4,505	6,490	(1,985)
670	-	670	6,000	3,650	2,350
<u>73,200</u>	<u>79,496</u>	<u>(6,296)</u>	<u>23,980</u>	<u>25,039</u>	<u>(1,059)</u>
<b>EXPENDITURES</b>					
Salaries and benefits					
Purchased services					
Supplies and materials					
Payments to other governments					
Total expenditures					
-	(182)	(182)	-	(1,272)	(1,272)
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>					
					-
					3,738
<b>FUND BALANCES, BEGINNING OF YEAR</b>					
					\$ 3,556
<b>FUND BALANCES, END OF YEAR</b>					
					<u>\$ (1,272)</u>

SCHEDULE 3  
(CONTINUED)

HENDERSON, MERCER, AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND  
FOR THE YEAR ENDED JUNE 30, 2005

Even Start - Statewide Family Literacy Program		Total			
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 195,000	\$ 195,000	\$ -	\$ 292,180	\$ 297,925	\$ 5,745
-	-	-	-	106	106
-	-	-	-	50	50
<u>195,000</u>	<u>195,000</u>	<u>-</u>	<u>292,180</u>	<u>298,081</u>	<u>5,901</u>
69,359	70,592	(1,233)	135,686	146,097	(10,411)
115,941	25,319	90,622	135,405	44,209	91,196
9,700	9,555	145	14,419	16,045	(1,626)
-	90,000	(90,000)	6,670	93,650	(86,980)
<u>195,000</u>	<u>195,466</u>	<u>(466)</u>	<u>292,180</u>	<u>300,001</u>	<u>(7,821)</u>
\$ -	(466)	(466)	\$ -	(1,920)	\$ (1,920)
	<u>533</u>			<u>4,271</u>	
	\$ <u>67</u>		\$	<u>2,351</u>	

REVENUES

Federal sources  
Local sources  
Other  
Interest  
Total revenues

EXPENDITURES

Salaries and benefits  
Purchased services  
Supplies and materials  
Payments to other governments  
Total expenditures

DEFICIENCY OF REVENUES  
OVER EXPENDITURES

FUND BALANCES, BEGINNING OF YEAR

FUND BALANCES, END OF YEAR

HENDERSON, MERCER AND WARREN COUNTIES  
 REGIONAL OFFICE OF EDUCATION NO. 27  
 COMBINING SCHEDULE OF ACCOUNTS  
 P.A.S.S. FUNDS  
 JUNE 30, 2005

	General State Aid	Adult Education and Family Literacy - State Basic	Adult Education and Family Literacy - State Performance	Adult Education and Family Literacy - Public Assistance	Regional Safe Schools	Title V - Innovative Programs	Title IV - Safe and Drug Free Schools Formula	Federal Adult Education - Basic
<b>ASSETS</b>								
Cash (overdrafts)	\$ 109,817	\$ (5)	\$ (9)	\$ (11,982)	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	12,000	-	-	-	-
<b>TOTAL ASSETS</b>	<u>109,817</u>	<u>(5)</u>	<u>(9)</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable	753	-	-	-	-	-	-	-
Total liabilities	<u>753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>								
Fund balances (deficit), unreserved	109,064	(5)	(9)	18	-	-	-	-
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 109,817</u>	<u>\$ (5)</u>	<u>\$ (9)</u>	<u>\$ 18</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
COMBINING SCHEDULE OF ACCOUNTS  
P.A.S.S. FUNDS  
JUNE 30, 2005

	State		National		School		Illinois		Total
	Title II Teacher Quality	Free Lunch and Breakfast	School Lunch Program	School Lunch Program	Breakfast Program	Breakfast Program	School Breakfast Incentive	Violence Prevention Act Mini-Grant	
<b>ASSETS</b>									
Cash (overdrafts)	\$ -	\$ (68)	\$ 674	\$ (19)	\$ -	\$ -	\$ 4,621	\$ -	\$ 103,029
Due from other funds	-	-	-	-	-	-	-	-	-
Due from other governments	-	95	824	168	-	-	-	-	13,087
<b>TOTAL ASSETS</b>	-	27	1,498	149	-	-	4,621	-	116,116
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts payable	-	-	-	-	-	-	-	-	753
Total liabilities	-	-	-	-	-	-	-	-	753
<b>FUND BALANCES</b>									
Fund balances (deficit), unreserved	-	27	1,498	149	-	-	4,621	-	115,363
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ -	\$ 27	\$ 1,498	\$ 149	\$ -	\$ -	\$ 4,621	\$ -	\$ 116,116

HENDERSON, MERCER AND WARREN COUNTIES  
 REGIONAL OFFICE OF EDUCATION NO. 27  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 P.A.S.S. FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005

	General State Aid	Adult Education and Family Literacy - State Basic		Adult Education and Family Literacy - State Performance		Adult Education and Family Literacy - Public Assistance		Regional Safe Schools		Title V - Innovative Programs		Title IV - Safe and Drug Free Schools Formula		Federal Adult Education - Basic	
		\$		\$		\$		\$		\$		\$		\$	
<b>REVENUES</b>															
Federal revenue	\$ 5,858	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,148	\$ 289	\$ 200	\$ 48,846				
State revenue	154,529	46,651	18,445	37,980	62,787										
Local sources															
Intergovernmental	60,275	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other	1,615	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total revenues	<u>222,277</u>	<u>46,651</u>	<u>18,445</u>	<u>37,980</u>	<u>72,935</u>	<u>289</u>	<u>200</u>	<u>48,846</u>							
<b>EXPENDITURES</b>															
Salaries and benefits	210,536	43,812	18,454	33,942	66,836	289	200	41,536							
Purchased services	26,569	2,844	-	3,154	6,099	-	-	7,310							
Supplies and materials	24,655	-	-	866	-	-	-	-							
Total expenditures	<u>261,760</u>	<u>46,656</u>	<u>18,454</u>	<u>37,962</u>	<u>72,935</u>	<u>289</u>	<u>200</u>	<u>48,846</u>							
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(39,483)	(5)	(9)	18	-	-	-	-							
<b>FUND BALANCES, UNRESERVED, BEGINNING OF YEAR</b>	148,547	-	-	-	-	-	-	-							
<b>FUND BALANCES (DEFICIT), UNRESERVED, END OF YEAR</b>	\$ 109,064	\$ (5)	\$ (9)	\$ 18	\$ -	\$ -	\$ -	\$ -							



HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
P.A.S.S. FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	Title II Teacher Quality	State		National		School Breakfast Program	School Breakfast Incentive	Illinois		Total
		Free Lunch and Breakfast	School Lunch Program	School Lunch Program	School Breakfast Program			Violence Prevention Act Mini-Grant		
<b>REVENUES</b>										
Federal revenue	\$ 464	\$ -	\$ 7,144	\$ 1,203	\$ -	\$ -	\$ -	\$ -	\$ 74,152	
State revenue	-	485	-	-	4	-	4,900	-	325,781	
Local sources	-	-	-	-	-	-	-	-	60,275	
Intergovernmental	-	-	-	-	-	-	-	-	1,615	
Other	-	-	-	-	-	-	-	-	461,823	
Total revenues	464	485	7,144	1,203	4	4	4,900	-		
<b>EXPENDITURES</b>										
Salaries and benefits	464	-	-	-	-	-	-	-	416,069	
Purchased services	-	-	-	-	-	-	279	-	46,255	
Supplies and materials	-	458	5,646	1,054	4	4	-	-	32,683	
Total expenditures	464	458	5,646	1,054	4	4	279	-	495,007	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	27	1,498	149	-	-	4,621	-	(33,184)	
<b>FUND BALANCES, UNRESERVED, BEGINNING OF YEAR</b>	-	-	-	-	-	-	-	-	148,547	
<b>FUND BALANCES (DEFICIT), UNRESERVED, END OF YEAR</b>	\$ -	\$ 27	\$ 1,498	\$ 149	\$ -	\$ -	\$ 4,621	\$ -	\$ 115,363	

HENDERSON, MERCER AND WARREN COUNTIES  
 REGIONAL OFFICE OF EDUCATION NO. 27  
 BUDGETARY COMPARISON SCHEDULE  
 P.A.S.S. FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005

	Adult Education and Family Literacy - State Basic			Adult Education and Family Literacy - State Performance		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	46,651	46,651	-	18,445	18,445	-
Total revenues	<u>46,651</u>	<u>46,651</u>	<u>-</u>	<u>18,445</u>	<u>18,445</u>	<u>-</u>
<b>EXPENDITURES</b>						
Salaries and benefits	43,651	43,812	(161)	18,445	18,454	(9)
Purchased services	3,000	2,844	156	-	-	-
Supplies and materials	-	-	-	-	-	-
Total expenditures	<u>46,651</u>	<u>46,656</u>	<u>(5)</u>	<u>18,445</u>	<u>18,454</u>	<u>(9)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	\$ -	(5)	\$ (5)	\$ -	(9)	\$ (9)
<b>FUND BALANCE, UNRESERVED JULY 1, 2004</b>		-			-	
<b>FUND BALANCE, UNRESERVED JUNE 30, 2005</b>		<u>(5)</u>			<u>(9)</u>	

SCHEDULE 6  
(CONTINUED)

HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
BUDGETARY COMPARISON SCHEDULE  
P.A.S.S. FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	Adult Education and Family Literacy - Public Assistance			Regional Safe Schools		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Federal sources	\$ -	\$ -	\$ -	\$ 72,935	\$ 10,148	\$ (62,787)
State sources	37,980	37,980	-	-	62,787	62,787
Total revenues	<u>37,980</u>	<u>37,980</u>	<u>-</u>	<u>72,935</u>	<u>72,935</u>	<u>-</u>
<b>EXPENDITURES</b>						
Salaries and benefits	30,800	33,942	(3,142)	66,692	66,836	(144)
Purchased services	7,180	3,154	4,026	6,243	6,099	144
Supplies and materials	-	866	(866)	-	-	-
Total expenditures	<u>37,980</u>	<u>37,962</u>	<u>18</u>	<u>72,935</u>	<u>72,935</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	\$ -	18	\$ 18	\$ -	\$ -	\$ -
<b>FUND BALANCE, UNRESERVED JULY 1, 2004</b>	-	-	-	-	-	-
<b>FUND BALANCE, UNRESERVED JUNE 30, 2005</b>	\$ -	<u>18</u>	<u>18</u>	\$ -	<u>-</u>	<u>-</u>

SCHEDULE 6  
(CONTINUED)

HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
BUDGETARY COMPARISON SCHEDULE  
P.A.S.S. FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	Title V - Innovative Programs			Title IV - Safe and Drug Free Schools Formula		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Federal sources	\$ 289	\$ 289	\$ -	\$ 200	\$ 200	\$ -
State sources	-	-	-	-	-	-
Total revenues	<u>289</u>	<u>289</u>	<u>-</u>	<u>200</u>	<u>200</u>	<u>-</u>
<b>EXPENDITURES</b>						
Salaries and benefits	289	289	-	200	200	-
Purchased services	-	-	-	-	-	-
Supplies and materials	-	-	-	-	-	-
Total expenditures	<u>289</u>	<u>289</u>	<u>-</u>	<u>200</u>	<u>200</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>FUND BALANCE, UNRESERVED</b>						
JULY 1, 2004	-	-	-	-	-	-
<b>FUND BALANCE, UNRESERVED</b>						
JUNE 30, 2005	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

SCHEDULE 6  
(CONTINUED)

HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
BUDGETARY COMPARISON SCHEDULE  
P.A.S.S. FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	Federal Adult Education - Basic			Title II - Teacher Quality		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Federal sources	\$ 48,846	\$ 48,846	\$ -	\$ 464	\$ 464	\$ -
State sources	-	-	-	-	-	-
Total revenues	<u>48,846</u>	<u>48,846</u>	<u>-</u>	<u>464</u>	<u>464</u>	<u>-</u>
<b>EXPENDITURES</b>						
Salaries and benefits	41,605	41,536	69	464	464	-
Purchased services	7,241	7,310	(69)	-	-	-
Supplies and materials	-	-	-	-	-	-
Total expenditures	<u>48,846</u>	<u>48,846</u>	<u>-</u>	<u>464</u>	<u>464</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<b>FUND BALANCE, UNRESERVED</b>						
JULY 1, 2004	-	-	-	-	-	-
<b>FUND BALANCE, UNRESERVED</b>						
JUNE 30, 2005	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
BUDGETARY COMPARISON SCHEDULE  
P.A.S.S. FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	Total		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Federal sources	\$ 122,734	\$ 59,947	\$ (62,787)
State sources	103,076	165,863	62,787
Total revenues	<u>225,810</u>	<u>225,810</u>	<u>-</u>
<b>EXPENDITURES</b>			
Salaries and benefits	202,146	205,533	(3,387)
Purchased services	23,664	19,407	4,257
Supplies and materials	-	866	(866)
Total expenditures	<u>225,810</u>	<u>225,806</u>	<u>4</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>4</u>	<u>\$ 4</u>
<b>FUND BALANCE, UNRESERVED JULY 1, 2004</b>		-	
<b>FUND BALANCE, UNRESERVED JUNE 30, 2005</b>	<u>\$ 4</u>		

HENDERSON, MERCER AND WARREN COUNTIES  
 REGIONAL OFFICE OF EDUCATION NO. 27  
 COMBINING BALANCE SHEET  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2005

	Institute	General Educational Development	Bus Driver Training	American College Test (ACT) Class	Education Administration	Supervisory Expense	Total
<b>ASSETS</b>							
Cash (overdrafts)	\$ 26,488	\$ (4,997)	\$ 7,145	\$ 78	\$ 37,969	\$ 243	\$ 66,926
<b>FUND BALANCES</b>							
Fund balances (deficit), unreserved	\$ 26,488	\$ (4,997)	\$ 7,145	\$ 78	\$ 37,969	\$ 243	\$ 66,926

HENDERSON, MERCER AND WARREN COUNTIES  
 REGIONAL OFFICE OF EDUCATION NO. 27  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005

	Institute	General Educational Development	Bus Driver Training	American College Test (ACT) Class	Education Administration	Supervisory Expense	Total
<b>REVENUES</b>							
State revenue	\$ -	\$ -	\$ 480	\$ -	\$ -	\$ 3,000	\$ 3,480
Local revenue							
Intergovernmental Service	-	-	782	-	-	-	782
	27,913	2,384	-	1,920	-	-	32,217
Total revenues	27,913	2,384	1,262	1,920	-	3,000	36,479
<b>EXPENDITURES</b>							
Salaries and benefits	-	2,406	-	-	-	-	2,406
Purchased services	16,381	1,312	2,267	1,842	-	3,000	24,802
Supplies and materials	1,033	200	-	-	-	-	1,233
Total expenditures	17,414	3,918	2,267	1,842	-	3,000	28,441
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	10,499	(1,534)	(1,005)	78	-	-	8,038
<b>OTHER FINANCING SOURCES</b>							
Transfers in	30	-	-	-	-	-	30
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES</b>	10,529	(1,534)	(1,005)	78	-	-	8,068
<b>FUND BALANCES (DEFICIT), UNRESERVED BEGINNING OF YEAR</b>	15,959	(3,463)	8,150	-	37,969	243	58,858
<b>FUND BALANCES (DEFICIT), UNRESERVED END OF YEAR</b>	\$ 26,488	\$ (4,997)	\$ 7,145	\$ 78	\$ 37,969	\$ 243	\$ 66,926



**HENDERSON, MERCER AND WARREN COUNTIES  
 REGIONAL OFFICE OF EDUCATION NO. 27  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005**

**SCHEDULE 9**

	<u>Distributive</u>	<u>ROE No. 27 Grant Program</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	<u>\$ 4,321</u>	<u>\$ 67,912</u>	<u>\$ 72,233</u>
<b>LIABILITIES</b>			
Due to other governments	<u>\$ 4,321</u>	<u>\$ 67,912</u>	<u>\$ 72,233</u>

HENDERSON, MERCER AND WARREN COUNTIES  
 REGIONAL OFFICE OF EDUCATION NO. 27  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 10

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2005</u>
<b><u>Distributive</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 20,272	\$ 10,269,513	\$ 10,285,464	\$ 4,321
<b>LIABILITIES</b>				
Due to other governments	\$ 20,272	\$ 10,269,513	\$ 10,285,464	\$ 4,321
<b><u>ROE No. 27 Grant Program</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 60,175	\$ 102,737	\$ 95,000	\$ 67,912
<b>LIABILITIES</b>				
Due to other governments	\$ 60,175	\$ 102,737	\$ 95,000	\$ 67,912
<b><u>Total - All Agency Funds</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 80,447	\$ 10,372,250	\$ 10,380,464	\$ 72,233
<b>LIABILITIES</b>				
Due to other governments	\$ 80,447	\$ 10,372,250	\$ 10,380,464	\$ 72,233

HENDERSON, MERCER AND WARREN COUNTIES  
 REGIONAL OFFICE OF EDUCATION NO. 27  
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES  
 DISTRIBUTIVE FUND  
 FOR THE YEAR ENDED JUNE 30, 2005

<u>PROGRAMS</u>	<u>Southern Dist. No.120</u>	<u>Aledo Dist. No.201</u>	<u>Westmer Dist. No.203</u>	<u>Roseville Dist. No.200</u>	<u>Yorkwood Dist. No.225</u>
ADA safety and educational block grant	\$ 6,154	\$ 13,459	\$ 7,710	\$ 4,402	\$ 5,128
Adult education-federal	-	-	-	-	-
Adult education-public aid	-	-	-	-	-
Adult education-state performance	-	-	-	-	-
Adult education-state	-	-	-	-	-
Bus drivers training course	-	-	-	-	-
Childcare	-	-	-	-	-
Driver education	2,441	4,818	2,929	1,349	1,670
Early childhood-at risk	76,033	109,435	91,628	70,131	73,859
Even start	-	-	-	-	-
Innovative	2,149	4,724	1,354	1,433	1,302
Interest	-	-	-	-	-
Learn and serve	-	-	-	-	-
Lunch-federal breakfast	10,970	12,280	7,749	4,172	8,246
Lunch-federal lunch	28,548	68,676	48,345	26,006	47,990
Lunch-state free and breakfast	2,364	4,360	2,968	1,724	2,880
Lunch-state breakfast incentive	236	226	-	141	175
Misc. Funds	-	-	-	-	-
Purchased Services	-	-	-	-	-
Reading Improvement	7,572	16,982	192	6,503	5,370
Regional safe schools	-	-	-	-	-
Reorganization	-	-	-	-	-
Safe and drug free schools	4,502	3,445	4,292	2,390	3,246
Special ed-extraordinary	10,691	39,613	40,730	6,364	10,280
Special ed-orphans	-	9,022	4,394	-	-
Special ed-personnel	32,633	73,190	54,329	-	-
Special ed-private facility	-	-	1,381	-	-
Special ed-summer school	-	-	726	-	670
State aid-hold harmless	-	-	-	81,490	204,476
General state aid	857,985	1,832,702	1,315,483	310,104	671,438
Supervisory	-	-	-	-	-
Technology enhanced	1,242	3,983	3,924	1,836	-
Teen Reach	-	-	-	-	-
Title I low income	68,824	146,950	160,177	53,615	101,347
Title I reading first	-	-	-	-	-
Title II teacher quality	19,622	54,271	39,881	15,067	21,721
Transportation-regular	85,724	192,180	145,390	55,885	88,843
Transportation-special education	35,998	38,822	25,940	42,376	37,207
Youth Led Mini-Grant	-	-	-	-	-
	<u>\$ 1,253,688</u>	<u>\$ 2,629,138</u>	<u>\$ 1,959,522</u>	<u>\$ 684,988</u>	<u>\$ 1,285,848</u>

HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES  
DISTRIBUTIVE FUND  
FOR THE YEAR ENDED JUNE 30, 2005

<u>PROGRAMS</u>	<u>United Dist. No.304</u>	<u>ROE No.27</u>	<u>SPECIAL PROJECT</u>	<u>P.A.S.S.</u>	<u>Total</u>
ADA safety and educational block grant	\$ 17,972	\$ -	\$ -	\$ -	\$ 54,825
Adult education-federal	-	-	-	44,077	44,077
Adult education-public aid	-	-	-	25,980	25,980
Adult education-state performance	-	-	-	13,835	13,835
Adult education-state	-	-	-	46,651	46,651
Bus drivers training course	-	480	-	-	480
Childcare	-	1,890	3,062	-	4,952
Driver education	8,865	-	-	-	22,072
Early childhood-at risk	50,909	-	-	-	471,995
Even start	-	202,430	-	-	202,430
Innovative	3,239	-	-	289	14,490
Interest	-	4,829	-	-	4,829
Learn and serve	3,000	650	-	-	3,650
Lunch-federal breakfast	3,212	-	-	1,035	47,664
Lunch-federal lunch	70,349	-	-	6,320	296,234
Lunch-state free and breakfast	2,282	-	-	391	16,969
Lunch-state breakfast incentive	7,000	-	-	4	7,782
Misc. Funds	-	8,502	-	-	8,502
Purchased Services	-	9	-	-	9
Reading Improvement	21,499	-	-	-	58,118
Regional safe schools	-	-	-	72,935	72,935
Reorganization	73,234	-	-	-	73,234
Safe and drug free schools	1,065	-	-	200	19,140
Special ed-extraordinary	18,035	-	-	-	125,713
Special ed-orphans	4,511	-	-	-	17,927
Special ed-personnel	-	-	-	-	160,152
Special ed-private facility	1,382	-	-	-	2,763
Special ed-summer school	353	-	-	-	1,749
State aid-hold harmless	371,662	-	-	-	657,628
General state aid	698,595	-	-	160,387	5,846,694
Supervisory	-	3,000	-	-	3,000
Technology enhanced	-	-	-	-	10,985
Teen Reach	-	-	73,058	-	73,058
Title I low income	85,337	-	-	-	616,250
Title I reading first	-	19,707	-	-	19,707
Title II teacher quality	25,777	-	-	464	176,803
Transportation-regular	263,068	-	-	-	831,090
Transportation-special education	45,849	-	-	-	226,192
Youth Led Mini-Grant	-	4,900	-	-	4,900
	<u>\$ 1,777,195</u>	<u>\$ 246,397</u>	<u>\$ 76,120</u>	<u>\$ 372,568</u>	<u>\$ 10,285,464</u>

HENDERSON-MERCER-WARREN COUNTIES REGIONAL OFFICE OF EDUCATION NO. 27  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 12

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2005 Expenditures
<b>DEPARTMENT OF EDUCATION</b>			
State Grants for Innovative Programs Passed-Through Illinois State Board of Education <i>Title V - Innovative Programs - Formula</i>	84.298A	2005-4100-00	\$ 289
Even Start State Educational Agencies Passed-Through Illinois State Board of Education <i>Even Start</i>	(M) 84.213C	2005-4335-00	195,000
Reading First State Grants Passed-Through Illinois State Board of Education <i>Title I - Reading First Part B SEA Funds</i>	84.357A	2005-4337-02	23,767
Safe and Drug-Free Schools and Communities State Grants Passed-Through Illinois State Board of Education <i>Title IV - Safe &amp; Drug Free Sch-Formula</i>	84.186A	2005-4400-00	200
Improving Teacher Quality State Grants Passed-Through Illinois State Board of Education <i>Title II - Teacher Quality</i>	84.367A	2005-4932-00	464
Adult Education State Grant Program Passed-Through Illinois Community College Board <i>Federal Adult Education - Basic</i>	84.002	518AB	<u>48,846</u>
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ <u>268,566</u></b>
<b>DEPARTMENT OF AGRICULTURE</b>			
National School Lunch Program Passed-Through Illinois State Board of Education <i>National School Lunch Program</i>	10.555	2005-4210-00	\$ 5,646
School Breakfast Program Passed-Through Illinois State Board of Education <i>School Breakfast Program</i>	10.553	2005-4220-00	1,054
Child and Adult Care Food Program Passed-Through Illinois State Board of Education <i>Child and Adult Care Food Program</i>	10.558	2005-4226-00	<u>4,419</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ <u>11,119</u></b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Temporary Assistance for Needy Families Passed-Through Illinois Department of Human Services <i>Teen Reach</i>	(M) 93.558	511G5894000	\$ 79,158
Temporary Assistance for Needy Families Passed-Through Illinois State Board of Education <i>Regional Safe Schools (TANF)</i>	(M) 93.558	2005-3696-00	10,148
<i>Regional Safe Schools - General State Aid (TANF)</i>	(M) 93.558	2005-3001-93	<u>5,858</u>
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ <u>95,164</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>374,849</u></b>

(M) Program was audited as a major program

The accompanying notes are an integral part of this schedule.

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Henderson, Mercer and Warren Counties Regional Office of Education No. 27 and is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**Note 2. Subrecipients**

Not Applicable.

**Note 3. Description of Major Federal Program**

The Teen Reach - Department of Human Services seeks to expand the range of choices and opportunities that enable, empower, and encourage youth from age 6 through 17 to achieve positive growth and development, improve expectations and capacities for future success, and avoid and/or reduce negative risk taking behavior through prevention-focused out-of-school time activities.

Even Start - Statewide Family Literacy Program aims to help break the cycle of poverty and illiteracy by improving the educational opportunities of low-income families through the integration of the four components of childhood education, adult literacy, parenting education, and interactive literacy activities into a unified family literacy program for parents and children, primarily from birth through age seven.

The Regional Safe Schools and Regional Safe Schools - General State Aid aims to provide a safe and positive environment where students can learn as they strive to become independent, productive, and responsible citizens. It focuses on building each individual's academic, behavioral, and social skills to facilitate greater success both in the classroom and in the community.

**Note 4. Non-Cash Assistance**

Not Applicable.

**HENDERSON, MERCER AND WARREN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 27  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

**Note 5. Amount of Insurance**

Not Applicable.

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

Not Applicable.