

**State of Illinois**  
**REGIONAL OFFICE OF EDUCATION #41**  
**MADISON COUNTY**  
**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**

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
For the Year Ended June 30, 2005**

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**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
For the Year Ended June 30, 2005**

**OFFICIALS**

Regional Superintendent (Current and during audit period)

Mr. Harry A. Briggs

Assistant Regional Superintendent (Current and during audit period)

Mr. Cullen L. Cullen

Office is located at:

157 N. Main Street Ste 438  
Edwardsville, Illinois 62025

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
For the Year Ended 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	6	5
Repeated audit findings	2	3
Prior recommendations implemented or not repeated	3	3

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

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
For the Year Ended June 30, 2005**

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)		
05-1	12	General ledger with self balancing accounts by fund was not maintained
05-2	13	Unrecorded payables and receivables material to the financial statements
05-3	14	Inaccurate expenditure reports filed
05-4	15	Controls over compliance with laws and regulation
05-5	16	Inadequate pledged collateral
FINDINGS AND QUESTIONED COST (FEDERAL COMPLIANCE)		
05-3	14	Inaccurate expenditure reports filed
05-6	17	Excess cash balance was maintained
PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)		
04-1	25	Payroll cost were not allocated properly
04-3	25	Bank reconciliations were not reconciled to the general ledger timely
04-5	25	Payment vouchers were not properly approved

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on January 31, 2006. The following people attended this meeting:

<u>Name</u>	<u>Title</u>
Cullen L. Cullen	Assistant Superintendent
Wanda Stoecklin	Bookkeeper
Dale B. Holtmann	Special Assistant Auditor, J. W. Boyle & Co., Ltd.

Responses to the recommendations were provided by Cullen L. Cullen in a letter dated February 28, 2006.

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
For the Year Ended June 30, 2005**

**FINANCIAL STATEMENT REPORT SUMMARY**

The audit of the accompanying financial statements of the Regional Office of Education #41 was performed by J.W. Boyle & Co., Ltd.

Based on their audit, the auditors expressed an unqualified opinion on the Regional Office of Education #41's basic financial statements.

**AUDITORS' REPORTS**

**J.W. BOYLE & CO., LTD.**

ESTABLISHED 1924

## 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 Regional Office of Education #41, as of and for the year ended June 30, 2005, which collectively comprise the Regional Office of Education #41's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Regional Office of Education #41's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Regional Office of Education #41, 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 December 15, 2005 on our consideration of the Regional Office of Education #41's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 26 through 32 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional Office of Education #41's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*J.W. Boyle & Co., Ltd.*

J. W. Boyle & Co., Ltd.

December 15, 2005

**J.W. BOYLE & CO., LTD.**

ESTABLISHED 1924

**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 Regional Office of Education #41, as of and for the year ended June 30, 2005, which collectively comprise the Regional Office of Education #41's basic financial statements and have issued our report thereon dated December 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Regional Office of Education #41'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 Regional Office of Education #41'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 05-1 and 05-2. We also noted other matters involving internal control over financial reporting which are required by the *Guidelines to Auditing and Reporting for a Regional Office of Education*, to be reported on the accompanying Schedule of Findings and Questioned Costs as items 05-3 and 05-6.

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 that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regional Office of Education #41'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 05-1, 05-2, 05-3, and 05-6. We also noted certain immaterial instances of noncompliance which is required by *Guidelines to Auditing and Reporting for a Regional Office of Education*, to be reported on the accompanying Schedule of Findings and Questioned Costs as items 05-4 and 05-5.

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.

*J. W. Boyle & Co., Ltd.*

J. W. Boyle & Co., Ltd.

December 15, 2005



ESTABLISHED 1924

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

Honorable William G. Holland  
Auditor General  
State of Illinois

Compliance

We have audited the compliance of the Regional Office of Education #41 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 Regional Office of Education #41'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 Regional Office of Education #41's management. Our responsibility is to express an opinion on the Regional Office of Education #41's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Regional Office of Education #41'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 Regional Office of Education #41's compliance with those requirements.

In our opinion, the Regional Office of Education #41 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as items 05-3 and 05-6.

Internal Control over Compliance

The management of the Regional Office of Education #41 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 Regional Office of Education #41'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.

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the Regional Office of Education #41's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05-1 and 05-2. We also noted other matters involving internal control over compliance with major program requirements which are required by the *Guidelines to Auditing and Reporting for a Regional Office of Education*, to be reported on the accompanying Schedule of Findings and Questioned Costs as item 05-3.

A material weakness is a 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 the 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. Our consideration of the internal control over compliance 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 that none of the reportable conditions described above is a material weakness.

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.

*J. W. Boyle & Co., Ltd.*

J. W. Boyle & Co., Ltd.

December 15, 2005

**STATE OF ILLINOIS  
 REGIONAL OFFICE OF EDUCATION #41  
 MADISON COUNTY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2005**

**SECTION I - SUMMARY OF AUDITORS' 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    \_\_\_\_\_ No
- 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) \_\_\_\_\_   X   Yes    \_\_\_\_\_ No

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 Circular A-133, Section .510(a)? \_\_\_\_\_   X   Yes    \_\_\_\_\_ No

Identification of **major** programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.366	Math and Science Partnership
84.318	Technology Enhancing Education-Competitive
84.282	Lincoln Charter Schools
93.558	Regional Safe Schools and General State Aid

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

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

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2005**

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**Section II--Financial Statement Findings**

FINDING NO.  
REPEATED FROM

05-1

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**General ledger with self balancing accounts by fund was not maintained**

1. ***Criteria/specific requirement:***

The Regional Office of Education is required to maintain a general ledger consisting of self-balancing accounts within each individual fund as required by Government Accounting Standards Board Code Section 1300 and as purpose or grant agreements dictate.

2. ***Condition:***

The Regional Office of Education converted to a new accounting software in January 2005 and, in the process, the number of funds was condensed. A fund balance was not maintained on an individual fund basis. In addition, entries on this new system were made across the combining funds creating unbalanced funds.

3. ***Effect:***

The general ledger does not have self balancing accounts. This could lead to improper posting and reporting for grant purposes which in turn could cause questioned costs or unused grant funds.

4. ***Cause:***

Inadequate training and education in relation to the startup of a new system.

5. ***Recommendation:***

The Regional Office of Education #41 should ensure that staff responsible for the general ledger should receive sufficient training in order to maintain an accurate general ledger by fund.

6. ***Management's response:***

The Assistant Regional Superintendent will coordinate efforts between the ROE staff and the new system support team to make changes to the current software to enable self-balancing accounts within each fund. Adjusting entries will be made to correct the individual fund balances and all general ledger entries in the future will be required to be balanced entries within each fund. The Assistant Regional Superintendent will work with the accountant to ensure that this practice is followed.

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2005**

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**Section II--Financial Statement Findings**

FINDING NO.  
REPEATED FROM

05-2  
04-2, 03-3

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**Unrecorded payables and receivables material to the financial statements**

1. ***Criteria/specific requirement:***

Accounting principles generally accepted in the United States of America require government-wide financial statements to be prepared on the accrual basis of accounting and the fund financial statements to be prepared on the modified accrual basis of accounting.

2. ***Condition:***

The Regional Office of Education did not properly record payables and receivables for the current and prior year. Accordingly, the Regional Office of Education's general ledger did not agree to the audited financial statements. Adjusting entries were required as part of the 2005 year end audit to account for the receivables and payables at June 30, 2004 and 2005.

3. ***Effect:***

Internal financial reports are not prepared in accordance with accounting principles generally accepted in the United States of America. The cash basis of accounting does not allow for the proper recording of revenues in the period earned and expenditures in the period they are incurred. Further, it makes it difficult to properly use the general ledger for proper grant reporting.

4. ***Cause:***

The Regional Office of Education #41 has failed to maintain subsidiary records of accounts receivable, accounts payable, and deferred revenue. There also appears to be a lack of understanding of proper accounting standards and reporting requirements.

5. ***Recommendation:***

The Regional Office of Education #41 should maintain accurate records that would enable them to post the necessary entries to reflect the receivables and payables at year-end.

6. ***Management's response:***

The Regional Office of Education has a new accounting system now that will allow it to properly maintain its general ledger on a modified accrual basis. In addition, training will be initiated for the personnel responsible for the general ledger.

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2005**

<b>Section II--Financial Statement Findings</b>	FINDING NO.	<u>05-3</u>
	REPEATED FROM	<u>04-4, 03-2</u>

**Federal Program Name and Year:** Title I Reading First Part B SEA, Lincoln Charter School, and Regional Safe Schools  
**Project No.:** 05-4337-00, 05-4960-00, and 05-3696-00  
**CFDA No.:** 84.357, 84.282, and 93.558  
**Passed Through:** Illinois State Board of Education  
**Federal Agency:** U.S. Department of Education and U.S. Department of Health and Human Services

**Inaccurate expenditure reports filed**

1. **Criteria/specific requirement:**

Grant expenditure reports filed with the State should agree to general ledger totals.

2. **Condition:**

We noted the expenditure reports, for various grants, for the grant period ended June 30, 2005, did not agree with the actual amounts expended as shown on the general ledger. The general ledger totals should agree or reconcile to the expenditure report total on all grants. Variances were as follows:

	<u>General Ledger Amts.</u>	<u>Per Grant Report Amts.</u>	<u>Difference</u>
Title I Reading First Part B SEA	\$ 13,036	\$ 13,043	\$ (7)
Lincoln Charter School	280,979	280,681	298
Regional Safe Schools	348,527	320,305	28,222

3. **Questioned Costs**

There were no questioned costs attributable to the inaccurate grant reports filed. The Regional Office of Education will need to file amended grant reports.

4. **Context**

The Regional Office of Education has 21 grants they are required to submit grant expenditures for, of these, three were reported incorrectly.

5. **Effect:**

As a result, inaccurate expenditure reports were filed for the grant period ended June 30, 2005.

6. **Cause:**

The cause of the inaccurately filed expenditure reports was due to the administrator of the grant using their own records to file the expenditure reports and not the general ledger. Another contributing factor is the general ledger is maintained on a cash basis and the accrual entries create a reconciling difference that is unaccounted for.

7. **Recommendation:**

The Regional Office of Education #41 should file corrected expenditure reports for the grant year ended June 30, 2005, as soon as possible, and require that all expenditure reports are prepared using the general ledger totals adjusted for any accruals/payables. Further, the Regional Office of Education should reconcile the program administrator's records to the general ledger for all grants to ensure all expenditures are accounted for.

8. **Management's response:**

The Regional Office of Education will file a corrected expenditure report for the grant year ended June 30, 2005 and instruction will be given to all program directors that the expenditure reports filed with the granting agencies must be reconciled with the general ledger prior to the final report being submitted.

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2005**

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**Section II--Financial Statement Findings**

FINDING NO.

05-4

REPEATED FROM

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**Controls Over Compliance with Laws and Regulations**

1. ***Criteria/specific requirement:***

The Illinois School Code (105 ILCS 5/3-14.11) states that the Regional Superintendent shall examine at least once each year all books, accounts, and vouchers of every school treasurer in his educational service region, and if he finds any irregularities in them, to report them at once, in writing, to the trustees in Class II county school units, to the respective school boards of those school districts which form a part of a Class II county school unit but which are not subject to the jurisdiction of the trustees of schools of any township in which any such district is located, or to the respective school boards of the district in Class I county school units whose duty it shall be to take immediately such action as the case demands.

This mandate has existed in its current form since at least 1953.

2. ***Condition:***

The Regional Office 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 district 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.

3. ***Effect:***

The Regional Office of Education #41 did not comply with statutory requirements.

4. ***Cause:***

The Regional Superintendent receives and reviews the independent audits of all the school districts. If there is a problem he follows up accordingly with the school in question. As a result, the Regional Superintendent no longer considers the procedure necessary.

5. ***Recommendation:***

The Regional Office of Education #41 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.

6. ***Management's response:***

The Regional Office of Education in conjunction with the Illinois Association of Regional Superintendents will seek a legislative solution to this and other obsolete passages within the Illinois School Code.

**STATE OF ILLINOIS  
 REGIONAL OFFICE OF EDUCATION #41  
 MADISON COUNTY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2005**

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<b>Section II--Financial Statement Findings</b>	FINDING NO.	<u>05-5</u>
	REPEATED FROM	<u>-</u>

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**Inadequate Pledged Collateral**

1. **Criteria/specific requirement:**  
 The Public Funds Deposit Act (30 ILCS 225/1) authorizes deposits in excess of the federally insured limit to be covered by pledged collateral in the Regional Office of Education #41's name.
  
2. **Condition:**  
 The amount on deposit, \$150,000, at a financial institution exceeded the amount of the federal insured limit of \$100,000 with no further collateralization secured for the deposit.
  
3. **Effect:**  
 Possible loss of deposit monies that are in excess of the federally insured limit of \$100,000 per financial institution.
  
4. **Cause:**  
 Failure to monitor bank balance against amount of collateral pledged for each bank with deposits.
  
5. **Recommendation:**  
 The Regional Office of Education #41 should increase the amount of collateral pledged by the financial institution to cover all deposits. In addition, the Regional Office of Education #41 should work with its financial institutions to monitor the amount of pledged collateral, on a monthly basis, to ensure that sufficient collateral is being maintained.
  
6. **Management's response:**  
 The Regional Superintendent agrees with the finding.

**STATE OF ILLINOIS  
 REGIONAL OFFICE OF EDUCATION #41  
 MADISON COUNTY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2005**

**Section III--Federal Award Findings**

FINDING NO.	<u>05-6</u>
REPEATED FROM	<u>-</u>

**Federal Program Name and Year:** Technology Enhancing Education - Competitive  
**Project No.:** 04-4972-00 & 05-4972-00                      **CFDA No.:** 84.318  
**Passed Through:** Illinois State Board of Education  
**Federal Agency:** U.S. Department of Education

**Excess cash balance was maintained**

1. **Criteria/specific requirement:**  
 The Regional Office of Education #41 is required to minimize the time elapsing between drawdown and disbursement of federal money. According to the compliance requirements of OMB Circular A-133, recipients of federal monies must follow procedures to minimize the time elapsing between the transfer of funds from U.S. Treasury and disbursement. In addition, the Cash Management Improvement Act of 1990 (31 CFR Part 205) requires that interest earned on federal fund balances in excess of \$100 be remitted back to the federal granting agency.
2. **Condition:**  
 The Regional Office of Education did not minimize the amount of time elapsing between drawdown and disbursement of funds for the Technology Enhancing Education Grant as noted by their more than three months supply of cash balance at June 30, 2005. Their cash drawdowns were not based on projected expenditures for the near term. Further, the interest generated from this excess cash balance was not returned to the grantor as required by the Cash Management Improvement Act of 1990.
3. **Questioned Costs**  
 The interest earned on the excess cash balance, which resulted in \$5,641, should be returned to the Illinois State Board of Education.
4. **Context**  
 The grant expenditures for the Technology Enhancing Education grant for fiscal year 2005 totaled \$1,054,259 and the budget was for \$1,246,341. The ROE had cash drawdowns for the year of \$1,111,582 in addition to the unspent funds from the prior year of \$509,371.
5. **Effect**  
 The Regional Office of Education had a cash balance of \$589,185 at June 30, 2005. This is more than three months of cash needed based on prior years' expenditures. In addition, the excess cash balance throughout the year generated \$5,641 of interest income that was not returned to the grantor.
4. **Cause:**  
 Management was unfamiliar with the requirements of the Cash Management Improvement Act. Further, it was their understanding that the interest generated from these funds was to stay within the fund until the grant period had ended and that it could be used on eligible expenditures as needed.
5. **Recommendation:**  
 The Regional Office of Education #41 should return the interest earned to the granting agency immediately. They should also institute a policy whereby any interest earned on excess cash balances should be returned to the grantor on a quarterly basis. Also, they should not draw down any funds until the cash balance is reduced to a less than 30 day need and all subsequent drawdowns should be based on a forecasted need for the next thirty days.
6. **Management's response:**  
 All grants with draw-down requirements will be monitored for cash need and all subsequent draw-downs will be based on a forecasted need for the next thirty days. At no time will the accounts have greater than the equivalent of two months cash reserves. Further, any interest earned on advance payments will be monitored for possible repayment to the granting agency.

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
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:**

1. Finding No. 05-3 Inaccurate expenditure reports filed (finding details on page 14)
2. Finding No. 05-6 Excess cash balance maintained (finding details on page 17)

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
JUNE 30, 2005**

**Corrective Action Plan**

**Finding No.: 05-1**

**Condition:**

The Regional Office of Education converted to a new accounting software in January 2005 and in the process, the number of funds was condensed. A fund balance was not maintained on an individual fund basis. In addition, entries on this new system were made across the combining funds creating unbalanced funds.

**Plan:**

The Assistant Regional Superintendent will coordinate efforts between the ROE staff and the new software support team to make changes to the current software to enable self-balancing accounts within each fund. Adjusting entries will be made to correct the individual fund balances and all general ledger entries in the future will be required to be balanced entries within each fund. The Assistant Regional Superintendent will work with the accountant to ensure that this practice is followed.

**Anticipated Date of Completion:**

Adjusting entries will be posted January 1, 2006 and the software changes will be effective for July 1, 2006.

**Name of Contact Person:**

Cullen Cullen, Assistant Regional Superintendent

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
JUNE 30, 2005**

**Corrective Action Plan**

**Finding No.: 05-2**

**Condition:**

The Regional Office of Education did not properly record payables and receivables for the current and prior year. Accordingly, the Regional Office of Education's general ledger did not agree to the audited financial statements. Adjusting entries were required as part of the 2005 year end audit to account for the receivables and payables at June 30, 2004 and 2005.

**Plan:**

The Regional Office of Education has a new accounting system now that should allow it to properly maintain its general ledger on a modified accrual or full accrual basis. In addition, training will be initiated for the personnel responsible for the general ledger.

**Anticipated Date of Completion:**

Adjusting entries will be posted January 1, 2006 and the software changes and training will be initiated as soon as possible to have the general ledger on an accrual basis as of July 1, 2006.

**Name of Contact Person:**

Harry Briggs, Regional Superintendent

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
JUNE 30, 2005**

**Corrective Action Plan**

**Finding No.: 05-3**

**Condition:**

We noted the expenditure reports, for various grants, for the grant period ended June 30, 2005, did not agree with the actual amounts expended as shown on the general ledger. The general ledger totals should agree or reconcile to the expenditure report total on all grants.

**Plan:**

The Regional Office of Education will file a corrected expenditure report for the grant year ended June 30, 2005 and instruction will be given to all program directors that the expenditure reports filed with the granting agencies must be reconciled with the general ledger prior to the final report being submitted.

**Anticipated Date of Completion:**

April 1, 2006

**Name of Contact Person:**

Cullen Cullen, Assistant Regional Superintendent

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
JUNE 30, 2005**

**Corrective Action Plan**

**Finding No.: 05-4**

**Condition:**

The Regional Office 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 district 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 Office of Education will seek a legislative solution to this and other obsolete passages.

**Anticipated Date of Completion:**

As soon as practical.

**Name of Contact Person:**

Cullen Cullen, Assistant Regional Superintendent

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
JUNE 30, 2005**

**Corrective Action Plan**

**Finding No.: 05-5**

**Condition:**

The amount on deposit, of \$150,000, at a financial institution exceeded the amount of the federal insured limit of \$100,000 with no further collateralization secured for the deposit.

**Plan:**

The Regional Office of Education will increase the amount of collateral pledged by the financial institution to cover all deposits. In addition, the Regional Office of Education will begin to monitor all deposits at financial institutions on a monthly basis to ensure all deposits are fully collateralized at all times.

**Anticipated Date of Completion:**

May 1, 2006

**Name of Contact Person:**

Cullen Cullen, Assistant Regional Superintendent

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
JUNE 30, 2005**

**Corrective Action Plan:**

**Finding No.: 05-6**

**Condition:**

The Regional Office of Education did not minimize the amount of time elapsing between drawdown and disbursement of funds for the Technology Enhancing Education Grant as noted by their more than three months supply of cash balance at June 30, 2005. Their cash drawdowns were not based on projected expenditures for the near term. Further, the interest generated from this excess cash balance was not returned to the grantor as required by the Cash Management Improvement Act of 1990.

**Plan:**

All grants with drawdown requirements will be monitored for cash need and all subsequent drawdowns will be based on a forecasted need for the next thirty days. Further, any interest earned on advance payments will be monitored for possible repayment to the granting agency.

**Anticipated Date of Completion:**

January 1, 2006

**Name of Contact Person:**

Cullen Cullen, Assistant Regional Superintendent

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2005**

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
04-1	Payroll cost not allocated correctly	Corrected, payroll is now charged to each grant based on the employee's timesheet
04-2	Unrecorded payables and receivables material to the financial statements	Repeat Finding
04-3	Bank reconciliations were not reconciled to the general ledger timely	Corrected, bank reconciliations are now performed on a monthly basis
04-4	Inaccurate expenditure reports filed	Repeat Finding
04-5	Payment vouchers were not properly approved	Corrected, vouchers are now approved prior to payment

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Madison Regional Office of Education #41 (ROE #41), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the ROE #41 for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with ROE #41's financial statements, which follow this section.

**2005 Financial Highlights**

- The assets of Regional Office of Education #41 exceeded its liabilities by approximately \$2,156,000 (net assets). The total net assets increased by approximately \$194,000 or 10%. This increase is principally from the increase in services provided by the ROE #41 in 2005.
- ROE #41, in cooperation with the Illinois State Board of Education and the Venice Community School District's Board of Education, established the Lincoln Charter School on November 8, 2004. This represented an increase in state and federal funding of \$485,000 and expenditures of \$474,000.
- The Technology Innovation Challenge Grant, federal money to be used to help the school districts increase their technology training and equipment, was winding down in 2005 as revenues and expenditures decreased approximately \$1,055,000 and \$1,044,000, respectively.

**Overview of the Financial Statements**

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.
- The Government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities. These financial statements provide information about the activities of ROE #41 as a whole and present an overall view of the Agency's finances in a manner similar to private sector businesses.
- The fund financial statements illustrate how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report ROE #41'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 essential to a full understanding of the data provided in the basic financial statements.
- Supplementary information further explains and supports the financial statements.
- Other information includes combining financial statements and budgetary information for certain general fund accounts, Education fund accounts, Technology Enhancing Education, Technology Innovation Challenge, Education Therapy Center, Lincoln Charter School, and other non-major accounts.

See independent auditors' report.

**REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of ROE #41's finances, in a manner similar to private-sector businesses.

The Statement of Net Assets presents information on all of ROE #41's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of ROE #41 is improving or deteriorating.

The Statement of Activities presents information showing how ROE #41's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for certain items that will only result in cash flows in future fiscal periods.

In the government-wide financial statements, ROE #41's activities are divided into two categories:

- *Governmental activities:* Most of ROE #41's basic services are included here, such as regular and special education instruction, instructional staff support services and administration. Federal, state and local grants and contributions finance many of these activities.
- *Business-type activities:* ROE #41 charges fees to help cover the costs of certain services it provides, such as workshops, conferences and teacher certification.

The government-wide financial statements can be found on pages 33-34 of this report.

**Fund financial statements.** The fund financial statements provide detailed information about ROE #41's funds, focusing on its most significant or "major" funds, not ROE #41 as a whole. Funds are accounting devices ROE #41 uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law. ROE #41 establishes other funds to control and manage money for particular purposes, such as educational instruction in specific areas or in order to show that it is properly using certain revenues, such as federal grants. All of the funds of ROE #41 can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* account for most of ROE #41's basic services. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. Because the governmental fund information does not encompass the additional long-term focus of the government-wide statements, it is useful to compare the statements. By so doing, the readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

See independent auditors' report.

**REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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

The basic governmental fund financial statements can be found on pages 35 and 37 of this report.

**Proprietary funds.** ROE #41 maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide statements. ROE #41 uses enterprise funds to account for educational services for which it charges a fee. Proprietary fund statements provide the same type of information as the government-wide financial statements, but with more detail and additional information, such as cash flows. The proprietary fund financial statements provide separate information for the Technology Hub, Workshop, and Teacher's Institute funds.

The proprietary funds required financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows. The basic proprietary fund financial statements can be found on pages 39-41 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support ROE #41's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund statement can be found on page 42 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-59 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning ROE #41. Overall budgeting is not a legal requirement for ROE #41. Accordingly, formal budgets are not adopted; and therefore, budgetary comparison statements are not included in the required supplementary information. However, ROE #41 is the recipient of monies from the Illinois State Board of Education (ISBE) for certain accounts within the general fund and for most accounts within the education fund on which ISBE requires budgetary comparison to actual results. Budgetary comparison schedules have been provided for the ISBE accounts to demonstrate compliance and can be found on pages 63, 68-75, and 78 of this report.

The combining statements, in connection with the General, Education Funds, Technology Enhancing Education, Technology Innovation Challenge, Education Therapy Center, and non-major special revenue funds can be found on pages 61-82 of this report.

See independent auditors' report.

**REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. Madison County Regional Office of Education's net assets at the end of the Fiscal Year 2005 totaled approximately \$2.15 million. This is compared to approximately \$1.96 million at the end of Fiscal Year 2004. The analysis that follows provides a summary of the ROE's net assets at June 30, 2005 for the governmental and business type activities.

	Condensed Statement of Net Assets					
	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 2,569,482	\$ 2,117,045	\$ 597,754	\$ 593,915	\$ 3,167,236	\$ 2,710,960
Capital assets	<u>144,863</u>	<u>121,175</u>	<u>2,231</u>	<u>-</u>	<u>147,094</u>	<u>121,175</u>
Total assets	<u>\$ 2,714,345</u>	<u>\$ 2,238,220</u>	<u>\$ 599,985</u>	<u>\$ 593,915</u>	<u>\$ 3,314,330</u>	<u>\$ 2,832,135</u>
Liabilities	<u>\$ 1,151,901</u>	<u>\$ 864,578</u>	<u>\$ 6,883</u>	<u>\$ 6,301</u>	<u>\$ 1,158,784</u>	<u>\$ 870,879</u>
Net assets:						
Invested in Capital Assets, net of related debt	\$ 144,863	\$ 121,175	\$ 2,231	\$ -	\$ 147,094	\$ 121,175
Fund balances:						
Restricted	-	-	-	-	-	-
Unrestricted	<u>1,417,581</u>	<u>1,252,467</u>	<u>590,871</u>	<u>587,614</u>	<u>2,008,452</u>	<u>1,840,081</u>
Total net assets	<u>\$ 1,562,444</u>	<u>\$ 1,373,642</u>	<u>\$ 593,102</u>	<u>\$ 587,614</u>	<u>\$ 2,155,546</u>	<u>\$ 1,961,256</u>

During Fiscal Year 2005, current assets comprised predominately of cash and receivables, increased approximately \$456,000 and other liabilities increased approximately \$288,000, both due in large part to the timing of grant receipts. Further, the liabilities increased over \$200,000 from the accrual for the teacher's salaries and compensated time off.

As indicated above, ROE #41 reported positive net assets for both the governmental and business-type activities. The assets of ROE #41 exceeded its liabilities at the close of the year by approximately \$2,156,000 (net assets). The investment in net capital assets was approximately \$147,000 at the end of Fiscal Year 2005. ROE #41 uses these capital assets in providing services to its citizens; consequently, these assets are not available for future spending.

Net assets of ROE #41 increased by approximately \$194,000 during Fiscal Year 2005. The net increase is a result of increased services provided by ROE #41 and some unspent grant funds. Key elements of the change are as follows:

See independent auditors' report.

**REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

	Changes in Net Assets					
	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 1,746,855	\$ 1,281,491	\$ 159,370	\$ 256,746	\$ 1,906,225	\$ 1,538,237
Operating grants and contributions	3,496,401	4,266,061	-	-	3,496,401	4,266,061
General revenues:						
Local source	180,731	117,224	-	-	180,731	117,224
State source	80,183	45,343	-	-	80,183	45,343
Investment Earnings	12,882	7,747	6,836	4,337	19,718	12,084
On-behalf payments	<u>961,056</u>	<u>954,212</u>	<u>-</u>	<u>-</u>	<u>961,056</u>	<u>954,212</u>
Total revenues	6,478,108	6,672,078	166,206	261,083	6,644,314	6,933,161
Primary government:						
Instructional Services:						
Salaries and benefits	3,110,706	2,487,839	66,979	107,895	3,177,685	2,595,734
Purchased services	976,095	1,212,691	72,852	79,723	1,048,947	1,292,414
Supplies and materials	410,793	1,349,928	15,049	16,252	425,842	1,366,180
Capital Outlay	260,287	-	-	-	260,287	-
Other objects	495,842	517,527	20	989	495,862	518,516
Other payments to governments	32,013	4,870	5,549	4,845	37,562	9,715
Depreciation	42,514	67,090	269	-	42,783	67,090
Administrative on-behalf payments						
State	403,286	402,192	-	-	403,286	402,192
Local	<u>557,770</u>	<u>552,020</u>	<u>-</u>	<u>-</u>	<u>557,770</u>	<u>552,020</u>
Total expenses	6,289,306	6,594,157	160,718	209,704	6,450,024	6,803,861
Increase in net assets	188,802	77,921	5,488	51,379	194,290	129,300
Net assets, beginning of year	<u>1,373,642</u>	<u>1,295,721</u>	<u>587,614</u>	<u>536,235</u>	<u>1,961,256</u>	<u>1,831,956</u>
Net assets, end of year	<u>\$ 1,562,444</u>	<u>\$ 1,373,642</u>	<u>\$ 593,102</u>	<u>\$ 587,614</u>	<u>\$ 2,155,546</u>	<u>\$ 1,961,256</u>

**GOVERNMENTAL ACTIVITIES**

Revenues for Governmental activities decreased approximately \$194,000 or 3% in Fiscal Year 2005. The decrease represents a loss in operating grants for Technology Innovation Challenge of more than \$1,000,000 offset by increases from the new Lincoln Charter School and the Math and Science Partnership Grant.

The expenditures decreased \$305,000 or 5%. The expenditures decrease is also attributable to the Technology Innovation Challenge, Lincoln Charter School, and Math and Science Partnership Grant as noted above.

See independent auditors' report.

**REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Business type activities**

Revenues for this activity are comprised of charges for services. Expenses are for the purchase of services and the costs related to the workshops, conferences and academics conducted by the ROE. The decrease in the revenues of \$95,000 is a result of an decrease in its Technology Hub fund from less of a demand for e-mail accounts to be set up at the schools and there were fewer workshops in 2005. Expenditures decreased only \$49,000 as the number of conferences and workshops decreased and the need for purchase services declined.

**FINANCIAL ANALYSIS OF THE REGIONAL OFFICE OF EDUCATION'S FUNDS**

As previously noted, Madison County Regional Office of Education #41 uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**GOVERNMENTAL FUND HIGHLIGHTS**

The ROE's governmental funds reported combined fund balances of \$1,418,000, this is an increase from last year's ending fund balance of \$1,252,000 by \$166,000. The change in governmental funds is attributable to the change in revenues and expenditures as discussed in Governmental Activities above.

**PROPRIETARY FUND HIGHLIGHTS**

The business type activities net assets increased \$5,000, from \$588,000 at June 30, 2004 to \$593,000 at June 30, 2005, representing an increase of approximately 1 percent. There was a decrease in the demand for technology support at the schools in the form of setting up e-mail accounts. Also, there were fewer workshops in 2005 which allowed ROE #41 to reduce its need for salaries and keep its fund balance consistent with the prior year.

**BUDGETARY HIGHLIGHTS**

Presenting an overall budget is not a legal requirement of ROE #41. Formal budgets are not adopted for all funds; therefore budgetary comparison statements are not included in the financial statements.

ROE #41 is a subrecipient for certain grant programs that are accounted for within the special revenue funds. These programs have separate budgets and are required to be reported to the Illinois State Board of Education. Comparison of budgeted and actual results for various programs are presented as supplementary information.

**CAPITAL ASSETS**

At June 30, 2005, the ROE had invested \$147,000, net of accumulated depreciation, in computers, audio-visual equipment, and other office equipment. This is a net increase of approximately \$26,000 from last year. This increase was due to depreciation for the year of \$43,000 and the purchase of over \$69,000 of computer equipment.

More detailed information about capital assets is available in Note 3 to the financial statements.

See independent auditors' report.

**REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the ROE was aware of several existing circumstances that could significantly affect its financial health in the future.

- The ROE has experienced an increase in the number of students being served by its programs in the past year. A slight increase in enrollment is expected for the upcoming year based on requests from local school districts.
- The ROE's special day treatment program has been approved as a county governmental owned school and anticipates increased referrals from local school districts.
- The amount of the state funds received has decreased and it is expected this trend will continue.
- The ROE, in cooperation with the Illinois State Board of Education and the Venice Community School District's Board of Education, established the Lincoln Charter School on November 8, 2004. This represents an increase in state and federal funding for the 2005 fiscal year. Federal funds for Lincoln Charter School will not be available for fiscal year 2006 according to the Illinois State Board of Education.

**CONTACTING THE REGIONAL OFFICE OF EDUCATION'S FINANCIAL MANAGEMENT**

The financial report is designed to provide the ROE's citizens, taxpayers, customers, and creditors with a general overview of the ROE's finances and to demonstrate the ROE's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Office Manger's Office of the Madison County Regional Office of Education, 157 N. Main Street, Suite 438, Edwardsville, IL 62025

## **BASIC FINANCIAL STATEMENTS**

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$2,099,501	\$ 596,251	\$ 2,695,752
Due from other governments:			
State	197,313	-	197,313
Federal	7,652	-	7,652
Accounts Receivable	265,016	1,503	266,519
Prepaid Items	-	-	-
Total current assets	<u>2,569,482</u>	<u>597,754</u>	<u>3,167,236</u>
Noncurrent assets:			
Capital Assets, being depreciated net	<u>144,863</u>	<u>2,231</u>	<u>147,094</u>
Total noncurrent assets	<u>144,863</u>	<u>2,231</u>	<u>147,094</u>
 TOTAL ASSETS	 <u>\$2,714,345</u>	 <u>\$ 599,985</u>	 <u>\$ 3,314,330</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts Payable	\$ 115,688	\$ 3,346	\$ 119,034
Accrued payroll and employee benefits	382,181	3,537	385,718
Due to other governments:			
State	18,896	-	18,896
Federal	4,029	-	4,029
Deferred Revenue	631,107	-	631,107
Other current liabilities	-	-	-
Total current liabilities	<u>1,151,901</u>	<u>6,883</u>	<u>1,158,784</u>
Noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL LIABILITIES	 <u>\$1,151,901</u>	 <u>\$ 6,883</u>	 <u>\$ 1,158,784</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 144,863	\$ 2,231	\$ 147,094
Unrestricted (deficit)	<u>1,417,581</u>	<u>590,871</u>	<u>2,008,452</u>
 TOTAL NET ASSETS	 <u>\$1,562,444</u>	 <u>\$ 593,102</u>	 <u>\$ 2,155,546</u>

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005**

FUNCTIONS/PROGRAMS Primary Government:	Program Revenues			Net (Expenses) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Governmental Activities:						
Instructional Services:						
Salaries and benefits	\$ 3,110,706	\$ 1,490,182	\$ 1,577,831	\$ (42,693)	\$ -	\$ (42,693)
Purchased services	976,095	162,785	761,323	(51,987)	-	(51,987)
Supplies and materials	410,793	69,851	335,344	(5,598)	-	(5,598)
Capital outlay	260,287	18,594	303,330	61,637	-	61,637
Other objects	495,842	5,443	486,560	(3,839)	-	(3,839)
Other payments to governments	32,013	-	32,013	-	-	-
Depreciation	42,514	-	-	(42,514)	-	(42,514)
Administrative:						
On-behalf payments - State	403,286	-	-	(403,286)	-	(403,286)
On-behalf payments - Local	557,770	-	-	(557,770)	-	(557,770)
Total governmental activities	6,289,306	1,746,855	3,496,401	(1,046,050)	-	(1,046,050)
Business-type activities:						
Instructional Services:	160,718	159,370	-	-	(1,348)	(1,348)
Total business-type activities	160,718	159,370	-	-	(1,348)	(1,348)
Total primary government	\$ 6,450,024	\$ 1,906,225	\$ 3,496,401	(1,046,050)	(1,348)	(1,047,398)
General Revenues:						
Local Sources	180,731			180,731	-	180,731
State Sources	80,183			80,183	-	80,183
On-behalf payments	961,056			961,056	-	961,056
Investment Earning	12,882			12,882	6,836	19,718
Transfers	-			-	-	-
Total general revenues, special and extraordinary items, and transfers	1,234,852			1,234,852	6,836	1,241,688
Change in net assets	188,802			188,802	5,488	194,290
Net assets - beginning	1,373,642			1,373,642	587,614	1,961,256
Net assets - ending	\$ 1,562,444			\$ 1,562,444	\$ 593,102	\$ 2,155,546

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	General Fund	Education Fund	Lighthouse Educational Assistance Program	Technology Enhancing Education Grant	Technology Innovation Challenge	Educational Therapy Center	Lincoln Charter School	Other Non-major Funds	Total Governmental Funds
<b>ASSETS</b>									
Cash and investments	\$ 95,689	\$ 429,678	\$ 256,814	\$ 589,185	\$ (20,247)	\$ 604,669	\$ (4,979)	\$ 148,692	\$ 2,099,501
Due from other funds	-	-	-	-	-	-	-	-	-
Due from other governments:									
State	17,735	166,408	-	-	-	-	-	13,170	197,313
Federal	-	-	-	-	7,652	-	-	-	7,652
Accounts Receivable	-	-	58,620	-	-	128,289	78,107	-	265,016
Prepaid items	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$113,424</b>	<b>\$ 596,086</b>	<b>\$ 315,434</b>	<b>\$ 589,185</b>	<b>\$ (12,595)</b>	<b>\$ 732,958</b>	<b>\$ 73,128</b>	<b>\$ 161,862</b>	<b>\$ 2,569,482</b>
<b>LIABILITIES</b>									
Accounts payable	\$ 24,114	\$ 19,808	\$ 1,518	\$ 10,421	\$ 368	\$ 8,732	\$ 41,376	\$ 9,351	\$ 115,688
Accrued payroll & employee benefits	166,424	67,561	25,637	5,995	-	99,804	15,729	1,031	382,181
Due to other funds	-	-	-	-	-	-	-	-	-
Due to other governments									
State	4,027	13,242	-	433	-	-	-	1,194	18,896
Federal	-	-	-	-	-	-	4,029	-	4,029
Deferred Revenue	-	58,473	-	572,336	-	-	298	-	631,107
Total liabilities	194,565	159,084	27,155	589,185	368	108,536	61,432	11,576	1,151,901
<b>FUND BALANCES</b>									
Reserved for:									
Encumbrances	-	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-	-	-
Unreserved, reported in:									
General fund	(81,141)	-	-	-	-	-	-	-	(81,141)
Special revenue fund	-	437,002	288,279	-	(12,963)	624,422	11,696	150,286	1,498,722
Total fund balances	(81,141)	437,002	288,279	-	(12,963)	624,422	11,696	150,286	1,417,581
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$113,424</b>	<b>\$ 596,086</b>	<b>\$ 315,434</b>	<b>\$ 589,185</b>	<b>\$ (12,595)</b>	<b>\$ 732,958</b>	<b>\$ 73,128</b>	<b>\$ 161,862</b>	<b>\$ 2,569,482</b>

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2005**

Total Fund balances - governmental funds	\$ 1,417,581
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>144,863</u>
Net assets of governmental activities	<u><u>\$ 1,562,444</u></u>

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	General Fund	Education Fund	Lighthouse Educational Assistance Program	Technology Enhancing Education Grant	Technology Innovation Challenge	Educational Therapy Center	Lincoln Charter School	Other Non-Major Funds	Total Governmental Funds
<b>Revenues:</b>									
Local sources	\$ -	\$ 53,837	\$ 361,207	\$ -	\$ -	\$ 1,243,655	\$ 204,091	\$ 111,756	\$ 1,974,546
State sources	428,487	611,853	-	-	-	111,976	-	1,000	1,153,316
Federal sources	-	632,962	-	1,202,189	231,732	23,968	280,979	-	2,371,830
On-behalf payments	961,056	-	-	-	-	-	-	-	961,056
Interest	1,543	4,912	2,127	-	-	5,495	264	3,019	17,360
<b>Total revenues</b>	<b>1,391,086</b>	<b>1,303,564</b>	<b>363,334</b>	<b>1,202,189</b>	<b>231,732</b>	<b>1,385,094</b>	<b>485,334</b>	<b>115,775</b>	<b>6,478,108</b>
<b>Expenditures:</b>									
Salaries and benefits	359,715	776,645	269,241	81,516	119,053	1,176,093	308,528	19,915	3,110,706
Purchased services	103,073	281,875	7,252	198,103	107,947	67,510	104,784	105,551	976,095
Supplies and materials	17,344	103,036	1,710	177,557	16,041	44,359	37,902	12,844	410,793
Capital Outlay	8,375	12,379	351	270,565	-	-	22,424	12,395	326,489
Other objects	584	11,550	2,500	474,448	-	3,750	-	3,010	495,842
Payments to other governments	-	32,013	-	-	-	-	-	-	32,013
On-behalf payments	961,056	-	-	-	-	-	-	-	961,056
<b>Total expenditures</b>	<b>1,450,147</b>	<b>1,217,498</b>	<b>281,054</b>	<b>1,202,189</b>	<b>243,041</b>	<b>1,291,712</b>	<b>473,638</b>	<b>153,715</b>	<b>6,312,994</b>
Excess (deficiency) of revenues over expenditures	(59,061)	86,066	82,280	-	(11,309)	93,382	11,696	(37,940)	165,114
<b>Other financing sources (uses)</b>									
Transfers in	216	-	-	-	-	41	-	-	257
Transfers out	-	-	(41)	-	-	-	-	(216)	(257)
<b>Net other sources and uses of financial resources</b>	<b>216</b>	<b>-</b>	<b>(41)</b>	<b>-</b>	<b>-</b>	<b>41</b>	<b>-</b>	<b>(216)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(58,845)</b>	<b>86,066</b>	<b>82,239</b>	<b>-</b>	<b>(11,309)</b>	<b>93,423</b>	<b>11,696</b>	<b>(38,156)</b>	<b>165,114</b>
<b>Fund balances - beginning</b>	<b>(22,296)</b>	<b>350,936</b>	<b>206,040</b>	<b>-</b>	<b>(1,654)</b>	<b>530,999</b>	<b>-</b>	<b>188,442</b>	<b>1,252,467</b>
<b>Fund balances - ending</b>	<b>\$ (81,141)</b>	<b>\$ 437,002</b>	<b>\$ 288,279</b>	<b>\$ -</b>	<b>\$ (12,963)</b>	<b>\$ 624,422</b>	<b>\$ 11,696</b>	<b>\$ 150,286</b>	<b>\$ 1,417,581</b>

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

Net change in fund balance	\$ 165,114
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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	\$ 66,202	
Depreciation expense	<u>(42,514)</u>	<u>23,688</u>

Change in net assets of governmental activities	<u><u>\$ 188,802</u></u>
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The notes to the financial statements are an integral part of this statement.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2005**

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Technology Hub Enterprise</u>	<u>Workshop</u>	<u>Institute</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 171,579	\$ 249,673	\$ 174,999	\$ 596,251
Due from other governments:				
State	-	-	-	-
Federal	-	-	-	-
Accounts receivable	-	-	1,503	1,503
Prepaid items	-	-	-	-
Total current assets	<u>171,579</u>	<u>249,673</u>	<u>176,502</u>	<u>597,754</u>
Noncurrent assets				
Capital assets, being depreciated, net	<u>2,231</u>	-	-	<u>2,231</u>
Total noncurrent assets	<u>2,231</u>	-	-	<u>2,231</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 173,810</u></u>	<u><u>\$ 249,673</u></u>	<u><u>\$ 176,502</u></u>	<u><u>\$ 599,985</u></u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ -	\$ -	\$ 3,346	\$ 3,346
Accrued payroll and employee benefits	-	3,537	-	3,537
Due to other governments:				
State	-	-	-	-
Federal	-	-	-	-
Deferred revenue	-	-	-	-
Other current liabilities	-	-	-	-
Total current liabilities	<u>-</u>	<u>3,537</u>	<u>3,346</u>	<u>6,883</u>
Non current liabilities	-	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<u><u>\$ -</u></u>	<u><u>\$ 3,537</u></u>	<u><u>\$ 3,346</u></u>	<u><u>\$ 6,883</u></u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 2,231	\$ -	\$ -	\$ 2,231
Unrestricted (deficit)	<u>171,579</u>	<u>246,136</u>	<u>173,156</u>	<u>590,871</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 173,810</u></u>	<u><u>\$ 246,136</u></u>	<u><u>\$ 173,156</u></u>	<u><u>\$ 593,102</u></u>

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Technology Hub</u>			
	<u>Enterprise</u>	<u>Workshop</u>	<u>Institute</u>	<u>Total</u>
Operating revenue				
Charges for services	\$ 8,726	\$ 114,267	\$ 36,377	\$ 159,370
Operating expenses				
Salaries and benefits	754	66,225	-	66,979
Purchased services	-	44,886	27,966	72,852
Supplies and materials	-	14,961	88	15,049
Other	-	20	-	20
Capital outlay	-	-	-	-
Depreciation	269	-	-	269
Payments to Other Governments	-	-	5,549	5,549
Total operating expenses	<u>1,023</u>	<u>126,092</u>	<u>33,603</u>	<u>160,718</u>
Operating income (loss)	<u>7,703</u>	<u>(11,825)</u>	<u>2,774</u>	<u>(1,348)</u>
Nonoperating revenue				
Interest	<u>1,963</u>	<u>3,016</u>	<u>1,857</u>	<u>6,836</u>
Income (loss) before transfers	<u>9,666</u>	<u>(8,809)</u>	<u>4,631</u>	<u>5,488</u>
Transfers in	-	-	-	-
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	9,666	(8,809)	4,631	5,488
Total net assets - beginning	<u>164,144</u>	<u>254,945</u>	<u>168,525</u>	<u>587,614</u>
Total net assets - ending	<u>\$ 173,810</u>	<u>\$ 246,136</u>	<u>\$ 173,156</u>	<u>\$ 593,102</u>

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Technology</b>			
	<b>Hub</b>			
	<b>Enterprise</b>	<b>Workshop</b>	<b>Institute</b>	<b>Total</b>
Cash flows from operating activities:				
Receipts from customers	\$ 29,841	\$ 120,929	\$ 35,284	\$ 186,054
Payments to suppliers and providers of goods and services	-	(60,591)	(33,399)	(93,990)
Payments to employees	(754)	(65,123)	-	(65,877)
Net cash provided by (used for) operating activities	<u>29,087</u>	<u>(4,785)</u>	<u>1,885</u>	<u>26,187</u>
Cash flows from noncapital financing activities:	-	-	-	-
Cash flows from capital and related financing activities:				
Payments for capital assets	(2,500)	-	-	(2,500)
Net cash used by capital and related financing activities	<u>(2,500)</u>	<u>-</u>	<u>-</u>	<u>(2,500)</u>
Cash flows from investing activities:				
Interest received on investments	1,963	3,016	1,857	6,836
Net cash provided by investing activities	<u>1,963</u>	<u>3,016</u>	<u>1,857</u>	<u>6,836</u>
Net increase (decrease) in cash and cash equivalents	28,550	(1,769)	3,742	30,523
Cash and cash equivalents - beginning	143,029	251,442	171,257	565,728
Cash and cash equivalents - ending	<u>\$ 171,579</u>	<u>\$ 249,673</u>	<u>\$ 174,999</u>	<u>\$ 596,251</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 7,703	\$ (11,825)	\$ 2,774	\$ (1,348)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	269	-	-	269
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	21,115	6,662	(1,093)	26,684
Increase (decrease) in accounts payable	-	(724)	204	(520)
(Decrease) in due to other governments	-	-	-	-
Increase (decrease) in accrued payroll	-	1,102	-	1,102
Net cash provided by operating activities	<u>\$ 29,087</u>	<u>\$ (4,785)</u>	<u>\$ 1,885</u>	<u>\$ 26,187</u>

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41**  
**STATEMENT OF FIDUCIARY ASSETS**  
**FIDUCIARY FUND**  
**JUNE 30, 2005**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash (overdrafts)	\$ (6,170)
Accounts receivable	<u>3,144</u>
Total assets	<u><u>\$ (3,026)</u></u>
 <b>LIABILITIES</b>	
Due to Other Governmental Unit	<u>\$ (3,026)</u>
Total liabilities	<u><u>\$ (3,026)</u></u>

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

**NOTES TO FINANCIAL STATEMENTS**

**STATE OF ILLINOIS**  
**REGIONAL OFFICE OF EDUCATION #41**  
**MADISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2005**

**NOTE 1: SUMMARY OF ACCOUNTING POLICIES**

This summary of significant accounting policies of the Regional Office of Education #41 is presented to assist in understanding the Regional Office of Education's financial statements. The financial statements and notes are representations of the Regional Office of Education's management who is responsible for the integrity and objectivity of the financial statements. The Illinois Administrative Code, Title 23 - Subtitle A, Chapter I, Section 110.115a, requires each Regional Office of Education to prepare annual financial statements in conformity with accounting principles generally accepted in the United States of America. These principles have been consistently applied in the preparation of the financial statements.

A. Financial Reporting Entity

The Regional Office of Education #41 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

The Regional Superintendent is responsible for supervision and control of school districts within Regional Office of Education #41. This includes all aspects of supervision, reports and financial accounting of districts, which are considered by State law to be in the Regional Office of Education. In addition, the Regional Superintendent is charged with responsibility for township fund lands; registration of the names of applicants for scholarships to State controlled universities; examinations and related duties; visitation of public schools; direction of teachers and school officers; to serve as the official advisor and assistant of school officers and teachers; to conduct teachers institutes as well as to aid and encourage the formation of other teachers meetings and assist in their management; evaluate the schools in the Regional Office of Education; examine school treasurer's books, accounts, and vouchers; examine evidence of indebtedness; file and keep the returns of elections required to be returned to the Regional Superintendent's office; and file and keep the reports and statements returned by school treasurers and trustees.

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

The Regional Superintendent is responsible for inspection and approval or rejection of school treasurer's bonds. The Regional Superintendent is also required to provide the State Board of Education with an affidavit showing that the treasurers of school districts under his control are properly bonded.

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

A. Financial Reporting Entity (Continued)

The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for the districts in the Regional Office of Education, or see that no payments are made unless the treasurer has filed or renewed appropriate bonds and that the district has certified publication of the annual financial report.

The Regional Superintendent is required to provide opinions and advice related to controversies under school law.

For the period ended June 30, 2005, the Regional Office of Education applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in Regional Office of Education #41. Such activities are reported as a single major fund (Education Fund).

B. Scope of the Reporting Entity

The Regional Office of Education reporting entity includes all related organizations for which they exercise oversight responsibility.

The Regional Office of Education has developed criteria to determine whether outside agencies with activities, which benefit the citizens of the region, including districts or joint agreements, which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the Regional Office of Education exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The districts and joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the Regional Office of Education does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education is not aware of any entity, which would exercise such oversight as to result in the Regional Office being considered a component unit of the entity.

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Regional Office of Education #41. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by grant revenues and intergovernmental revenues, are reported separately from business-type activities, which would generally rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the nonfiduciary assets and liabilities, with the differences reported as net assets. Net assets are reported in three categories:

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

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

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The accounts of the Regional Office of Education #41 are organized on the basis of funds and account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts. The Regional Office of Education #41 maintains individual funds required by the State of Illinois and as established by purpose or agreements. The various funds are summarized by type in the financial statements. These funds and accounts are grouped by fund type. The Regional Office of Education's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and by the means in which spending activities are controlled.

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Government-wide and fund financial statements (continued)

The various funds used by the Regional Office of Education #41 are categorized as follows for presentation in the financial statements:

*Government Fund Types*

General Funds

The General Fund is used to account for all financial resources except those required to be accounted for in other funds. The General Fund includes the following funds:

Technology Hub - This fund receives a grant for the purpose of providing a coordinated, state-wide support infrastructure which assists the school districts in planning for, implementing, assessing results and educating school staff in the use of technology and telecommunications in curricular, instructional and administrative functions.

School Improvement - Accounts for the ROE/ESC Operations grant and transactions associated with the operations of the Regional Office of Education.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes. The Special Revenue Funds include the following funds:

Education Fund - This fund is used to account for State and federal grant monies received for, and payment of, administering numerous grant awards. The Education Fund includes the following funds:

Truants Alternative and Optional Education Project - This fund is used to account for the grant monies received for, and payment of, providing truancy prevention programming and monitoring truants.

Vocational Adjustment Counselor - This fund is used to account for grant monies received for, and payment of, program costs to provide rehabilitation counseling for individuals in secondary work experience.

Title IV Community Service Grant - This fund is used to account for the grant monies received for, and payment of, community service activities for the Regional Safe School students.

Math & Science Partnership - This fund is used to account for administration of monies for the Math & Science Partnership program.

**STATE OF ILLINOIS**  
**REGIONAL OFFICE OF EDUCATION #41**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2005**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Government-wide and fund financial statements (continued)

Education Fund (continued)

Scientific Literacy - This fund is used to account for the grant monies received for, and payment of, school improvement plans for regional schools in the areas of math and science and to coordinate teacher development in math and science.

State Substance Abuse & Violence Prevention - This fund is used to account for the grant monies received for, and payment of, plans to stop substance and violence in the school districts.

Regional Safe Schools - This fund is used to account for the grant monies received for, and the payment of, local, regional and statewide training opportunities and professional development for faculty and staff.

General State Aid - This fund is used to account for the grant monies received for, and the payment of, additional Regional Safe Schools monies.

State Standards & Assessment – This fund is used to account for administration of the System of Support grant that is paid by the State.

Title I School Improvement – This fund is used to account for administration of the System of Support grant that is paid by the federal government covered under CFDA #84.010A.

Title II Teacher Quality – This fund is used to account for administration of the System of Support grant that is paid by the federal government covered under CFDA #84.367A.

Title I - Reading First Part B SEA Fund - This fund is used to account for grant monies received for, and payment of, professional development in the area of reading for teachers in the Madison and Venice school districts.

Title I - Reading First Part B Training Academy – This fund is used to account for the grant monies received for, and payment of, professional development in the area of reading for K-3 teachers in Madison County.

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Government-wide and fund financial statements (continued)**

Lighthouse Educational Assistance Program - This fund is used to account for administration of an educational facility within a drug rehabilitation center.

Technology Enhancing Education Grant - This fund is used to account for administration of the monies used to enhance the technology resources for teachers in the Madison County area and also various other regional offices of education.

Technology Innovative Challenge - This fund is used to account for administration of monies for the Technology Innovation Challenge Program.

Educational Therapy Center - This fund is used to account for funds related to the administration of a public day school which provides special education and therapeutic services for behaviorally disordered and emotionally disturbed students. The Educational Therapy Center Fund includes the following funds:

Unemployment Reserve - This fund is used to accumulate resources to be used to pay for unemployment and related expenses should the Educational Therapy Center cease to exist.

Lunch Account Program - This fund is used to account for the State monies received for, and payment of, providing free and reduced priced meals.

Day Program - This fund is used to account for grant monies and local monies received for providing special education and therapeutic services to behaviorally disordered and emotionally disturbed students.

Lincoln Charter School - This fund is used to account for administration of monies associated with the start up and operations of the Lincoln School District which opened in 2005.

GED - This fund was established to administer the high school level test of General Educational Development.

Bus Driver Training - This fund is used to account for the issuance of school bus driver permits and to sponsor instructional training courses for school bus drivers.

Supervisory Expense - The Regional Superintendent receives an annual award of \$1,000 from the State Board of Education to pay for travel and meeting expenses.

Administrative - This fund is used to account for reimbursement from other funds for office supplies used by those funds. It also prepaid teacher fees for a Pre-K conference and was reimbursed for the fees.

Early Childhood Symposium - This fund is used to account for administration of the monies for the Early Childhood Symposium Program.

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Government-wide and fund financial statements (continued)

Youth and Camp Success - This fund is used to account for administration of monies for the Youth and Camp Success program.

Illinois Century Network - This fund is used to account for administration of monies to be used in establishing the Illinois Century Network.

Standards Aligned Classroom - This fund is used to account for administration of monies for Learning Teams involved with the Standards Aligned Classroom Project.

Pre-K Forum - This fund is used to account for administration of the monies used to study educational development of children prior to entering elementary school.

ROE State Grant - This grant was received from the State through the Will County Regional Office of Education. It was meant to help the Office to cover any operational costs that it has. The only limitations placed on the funds were that it was not to be used to pay the Regional Superintendent or Assistant Regional Superintendent.

Proprietary Fund Types

Enterprise Funds

Enterprise Funds are used to account for resources from fees charged directly to those entities or individuals that use its services. The Enterprises Funds include the following funds:

Technology Hub Enterprise - This fund is used to account for money received from schools for setup fees for e-mail addresses the County sets up for the schools.

Workshop - This fund is used to account for workshops financed through user fees.

Institute - The Institute Fund is authorized by Section 3-12 of the School Code (105 ILCS 5/3-12). All examination, registration and renewal fees are paid into the Institute Fund, which is used to defray administrative expenses incidental to teacher's institutes, workshops, or meetings of a professional nature.

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Government-wide and fund financial statements (continued)

Fiduciary Fund Type

Agency Funds

Agency Funds are used to account for assets held by the Madison County Regional Office of Education #41 as an agent for other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds include the following funds:

Teacher Retirement System and Teacher Health Insurance Supplement – This fund is used to collect the retirement contributions and withholdings from all other funds to be paid to the State retirement fund.

D. Measurement focus, basis of accounting, and financial statement presentation

The general accounting records for the various funds of the Regional Office of Education #41 are maintained substantially on a cash basis. Revenues are recorded when cash is received and expenditures are recorded when cash payments are made. However, the accounting principles used to present the financial statements are in conformity with generally accepted accounting principles for governmental entities.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues associated with the current fiscal period, but not received before fiscal year end are reported as deferred revenue.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds.

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Measurement focus, basis of accounting, and financial statement presentation (continued)

Proprietary fund operating revenues, such as charges for fees and services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary services.

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 guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. Regional Office of Education #41 has elected not to follow subsequent private-sector guidance.

The accounting policies and financial reporting practices of the Regional Office of Education #41 conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

E. Budgetary Data

Overall budgeting is not a legal requirement for the Regional Office of Education. Formal budgets are not adopted for all funds; therefore budgetary comparison schedules are not included in the financial statements.

The Regional Office of Education is the recipient of monies from the Illinois State Board of Education for certain accounts within the general fund and for most accounts in the education fund on which ISBE requires budgetary comparison to actual results. Comparisons of budgeted and actual results for various programs are reported as supplementary information: Technology Hub, School Improvement, Truant's Alternative and Optional Education Project, Vocational Adjustment Counselor, Math & Science Project, Regional Safe Schools, State Standards and Assessment, Title I School Improvement, Title II Teacher Quality, Title I Reading First Part B SEA Funds, Title I Reading First Part B SEA Training Academy, Lincoln Charter Schools, Technology Innovation Challenge, and Technology Enhancing Education - Competitive.

F. Fund Equity

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Special revenue funds are reserved to finance specific functions or activities of each fund.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as they relate to governmental entities requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. Capital Assets

Capital assets, equipment, are recorded in the applicable governmental or business-type activity columns in the government-wide financial statements. Expenditures for the acquisition are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The costs of capital assets are recorded as expenditures in the acquiring fund at the time of purchase and any proceeds from sales are recorded as receipts at the time of disposal in the governmental funds' statements for governmental activities.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are recorded at estimated fair value in the year received. Capital assets are defined by the Regional Office of Education #41 as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year.

The provision for depreciation on fixed assets is provided on a straight-line basis. Estimated useful lives are as follows:

Equipment	5-10 years
Office equipment	3-7 years

J. Cash Flows

For purposes of the Statement of Cash Flows, the Regional Office of Education considers all cash and all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

K. Compensated Absences

Currently, all Regional Office employees accrue vacation hours for each contract year of their employment, and an accrual for this liability has been provided. The employees are unable to accumulate vacation time if the employees choose to or are unable to use all of their vacation hours by the subsequent year-end.

Accumulated sick pay benefits are available to all full-time employees to use in future years, up to 480 hours. They are eligible to be compensated for these unused sick days after attaining age 55 and employed for eight years. They will be compensated upon retirement only, if terminated, their unused sick days are forfeited. Per GASB Statement 16, we used the Vesting Method to calculate the necessary accrual. Under this method, the liability is measured based on those that are eligible to receive retirement payments and those who are expected to become eligible in future years.

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**NOTE 2: CASH AND INVESTMENTS**

Cash and investments as of June 30, 2005 are classified in the financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 2,695,752
Fiduciary funds (agency funds):	
Cash and investments	<u>(6,170)</u>
 Total cash and investments	 <u>\$ 2,689,582</u>

Cash and investments as of June 30, 2005 consist of the following:

Petty cash	\$ 5,142
Deposits with financial institution	2,391,891
Investments	<u>292,549</u>
	 <u>\$ 2,689,582</u>

Cash Deposits

At June 30, 2005, the Regional Office of Education had one depository account with the Bank of Edwardsville. The Regional Office of Education does not have a deposit policy. The account is a Money Market account with an annual interest rate of 2.27 at June 30, 2005.

Insured	\$ 100,000
Collateralized	
Collateral held by pledging bank's trust department in the Regional Office of Education's name	<u>2,291,891</u>
 Total deposits	 <u>\$ 2,391,891</u>

Investments

At June 30, 2005, Regional Office of Education #41 had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Regions Bank- Certificate of Deposit	9/30/2005	\$ 150,000
Associated Bank - Certificate of Deposit	7/8/2005	<u>142,549</u>
		 <u>\$ 292,549</u>

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

Interest Rate Risk

Interest rate is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Regional Office of Education does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Regional Office of Education is allowed to invest in securities as authorized by Sections 2 and 6 of the Public Funds Investment Act (30 ILCS 235/2 and 6); and Section 8-7 of the School Code. The Regional Office of Education has no investment policy that would further limit its investment choices. As of June 30, 2005, the Regional Office of Education was in compliance with these guidelines.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a financial institution, the Regional Office of Education will not be able to recover its investments or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2005, \$50,000 of the investment balance was exposed to custodial credit risk as uninsured and uncollateralized.

Consideration of Credit Risk

The Regional Office of Education places no limit on the amount invested in any one issuer. All of the Regional Office of Education's investments are in Certificates of Deposit with Regions Bank (51%) and Associated Bank (49%).

**NOTE 3: CAPITAL ASSETS**

The Regional Office of Education #41's management has elected to capitalize only assets individually costing \$500 or more for reporting purposes.

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**NOTE 3: CAPITAL ASSETS (CONTINUED)**

Capital asset activity for fiscal year 2005 was as follows:

Governmental activities

	<u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2005</u>
Assets being depreciated:				
Equipment	\$ 571,057	\$ 66,202	\$ 138,952	\$ 498,307
Less Accumulated Depreciation:	\$ 449,882	\$ 42,514	\$ 138,952	\$ 353,444
Governmental activity capital assets, net	<u>\$ 121,175</u>	<u>\$ 23,688</u>	<u>\$ -</u>	<u>\$ 144,863</u>

Business-type activities - Enterprise Fund

	<u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2005</u>
Equipment	\$ -	\$ 2,500	\$ -	\$ 2,500
Less Accumulated depreciation:	-	269	-	269
Business-type activity capital assets, net	<u>\$ -</u>	<u>\$ 2,231</u>	<u>\$ -</u>	<u>\$ 2,231</u>

**NOTE 4: ON-BEHALF PAYMENTS**

Salaries of the Regional Superintendent and Assistant Superintendent are paid by the State of Illinois, and a significant portion of the operating expenditures of Madison County Regional Office of Education #41 are paid by Madison County, Illinois, in accordance with the statutes. The breakdown of the State and County on-behalf payments for the year ended June 30, 2005 is as follows:

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**NOTE 4: ON-BEHALF PAYMENTS (CONTINUED)**

Regional Superintendent Salary	\$ 88,540
Assistant Regional Superintendent Salary	79,686
Regional Superintendent Benefits (Includes State paid insurance)	10,359
Assistant Regional Superintendent Benefits (Includes State paid insurance)	15,840
Teacher Retirement System pension contributions	208,861
Salaries of Office worker's paid by County	441,266
Rent for Office Space	38,880
County share of health insurance	57,189
County retirement contributions	<u>20,435</u>
 Total	 <u>\$ 961,056</u>

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

**NOTE 5: INTERFUND TRANSFERS**

Following is a summary of interfund transfers for the year ended June 30, 2005

	<u>Transferred In</u>	<u>Transferred Out</u>
General Fund	\$ 216	\$ -
Special Revenue Funds		
Lighthouse Educational Assistance Program	-	41
Education Therapy Center	41	-
Other Non-major Funds	<u>-</u>	<u>216</u>
 Total	 <u>\$ 257</u>	 <u>\$ 257</u>

**NOTE 6: DUE TO/FROM OTHER GOVERNMENTS**

The Regional Office of Education #41's General Fund, Agency Fund and various grant programs have funds due to and from various other governmental units which consist of the following:

General Fund	
Due From Other Governments:	
U.S. Department of Education	\$ 7,652
Illinois State Board of Education	<u>197,313</u>
	<u>\$ 204,965</u>
Due To Other Governments:	
Illinois State Board of Education	<u>\$ 22,925</u>

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**NOTE 6: DUE TO/FROM OTHER GOVERNMENTS (continued)**

Agency Fund

Due To Other Governments:

State of Illinois – TRS & THIS \$ 3,026

**NOTE 7: PENSION AND RETIREMENT COMMITMENTS**

The Regional Office of Education participates in the Teacher's Retirement System of the State of Illinois (TRS). Members of TRS include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The Regional Office of Education's covered payroll for the year ended June 30, 2005 was \$1,607,803.

TRS is a cost-sharing multiple-employer defined benefits pension plan that was created by the Illinois legislature for the benefit of the 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 non-annuitants 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 Teacher's Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The employer THIS fund contribution was 0.5 percent during the year ended June 30, 2005, and the member THIS fund health insurance contribution was 0.75 percent.

The State of Illinois makes contributions directly to TRS on behalf of the Regional Office's TRS-covered employees.

- **On-behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the Regional Office. For the year ended June 30, 2005, the State of Illinois contributions were based on 11.76 percent of creditable earnings, and the Regional Office recognized revenues and expenditures of \$208,861 in pension contributions that the State of Illinois paid directly to TRS. For the year ended June 30, 2004, the State of Illinois contribution rate as a percentage of creditable earnings was 13.98 percent (\$210,421).

The Regional Office of Education 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, the employer contributed .58 percent of creditable earnings for the 2.2 formula change. Contributions for the years ending June 30, 2005 and June 30 2004 were \$9,325 and \$8,133.
- **Federal and trust fund contributions.** When TRS members are paid from federal and trust funds administered by the Regional Office, there is a statutory requirement for the Regional Office to pay an employer pension contribution from those funds. For the two years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries from those funds. For the year ended June 30, 2005, salaries totaling \$296,998 were paid from federal and trust funds that required employer contributions of \$31,185. For the year ended June 30, 2004, salaries totaling \$158,944 were paid from federal and trust funds that required employer contributions of \$16,689.

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**NOTE 7: PENSION AND RETIREMENT COMMITMENTS (CONTINUED)**

- **Early retirement option.** The Regional Office is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option. The payments vary depending on age and salary of the member. No member or employer contributions are required if the member has 34 years of service. The maximum employer payment of 100 percent of the member's highest salary used in the calculation of final average salary is required if the member is 55 years old. For the year ending June 30, 2005, the Regional Office paid \$34,789 in employer contributions under the Early Retirement Option. No employer contributions were required for the year ended June 30, 2004.

**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 annual allotment and the 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 changes described above, the following changes were made to ERO:
  - Both active members and employer ERO contribution rates are increased. For employers, the maximum contribution increases from the current 100 percent of the member's highest salary used in the calculation of final average salary to 117.5 percent.
  - The waiver of member and employer ERO contributions when the member has 34 years of service ended with the program that expired June 30, 2005.
  - A "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007.
  - Public Act 94-0004 provides for a review of the member and employer ERO contributions every five years to ensure that the program is revenue neutral.

**STATE OF ILLINOIS  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**NOTE 7: PENSION AND RETIREMENT COMMITMENTS (CONTINUED)**

**Further information**

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 recent report is also available on the TRS website at [www.trs.illinois.gov](http://www.trs.illinois.gov).

Non-certified employees are paid by, and considered employees of, county government. As such, related retirement obligations associated with these employees are the responsibilities of county government.

**NOTE 8: DEFICIT FUND BALANCE**

At June 30, 2005, the General Fund and the Technology Innovation Challenge Fund had a deficit fund balance as follows:

General Fund	
Technology Hub	(\$77,162)
School Improvement	<u>(\$3,979)</u>
	(\$81,141)
Technology Innovation Challenge	(\$ 12,963)

It is expected to correct itself in future years through ordinary operations.

**NOTE 9: COMMITMENTS AND CONTINGENCIES**

In the normal course of operations, the Regional Office receives grant funds from various federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Significant losses are covered by the commercial insurance for all major programs: property, liability, and workman's compensation. During the year ended June 30, 2005 there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

**NOTE 10: NEW REPORTING STANDARD**

The Regional Office of Education No. 41 adopted GASB 40, *Deposit and Investment Risk Disclosures*, in the current year.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**STATE OF ILLINOIS  
REGIONAL OFFICE OF EDUCATION #41  
MADISON COUNTY  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2005**

The following schedules provide additional detail on balances and activities of Regional Office of Education #41 government and its operations.

**Major Funds**

The general fund and the education funds are comprised of various fund accounts that provide additional control and information about specific resources and expenditures of these funds. More detailed schedules of the general fund and the education fund have been provided.

**Nonmajor Funds**

Nonmajor governmental funds consist of all special revenue funds which are not included in the education fund. Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. Schedules have been provided for all nonmajor special revenue funds.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
 COMBINING SCHEDULE OF ACCOUNTS  
 GENERAL FUND  
 JUNE 30, 2005**

	<b>Technology Hub</b>	<b>School Improvement</b>	<b>Total</b>
<b>ASSETS</b>			
Cash (overdrafts)	\$ 94,289	\$ 1,400	\$ 95,689
Due from other governments	17,735	-	17,735
<b>TOTAL ASSETS</b>	<b>\$ 112,024</b>	<b>\$ 1,400</b>	<b>\$ 113,424</b>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 22,245	\$ 1,869	\$ 24,114
Due to other governments	517	3,510	4,027
Accrued payroll and employee benefits	166,424	-	166,424
Deferred Revenue	-	-	-
Total liabilities	189,186	5,379	194,565
<b>FUND BALANCE (DEFICIT), UNRESERVED</b>	<b>(77,162)</b>	<b>(3,979)</b>	<b>(81,141)</b>
<b>TOTAL LIABILITIES AND FUND BALANCE (DEFICIT), UNRESERVED</b>	<b>\$ 112,024</b>	<b>\$ 1,400</b>	<b>\$ 113,424</b>

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
GENERAL FUND ACCOUNTS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Technology Hub</u>	<u>School Improvement</u>	<u>Total</u>
<b>REVENUES</b>			
State revenue	\$ 322,279	\$ 106,208	\$ 428,487
Federal revenue	-	-	-
On-behalf revenue	-	961,056	961,056
Interest	1,503	40	1,543
Total revenues	<u>323,782</u>	<u>1,067,304</u>	<u>1,391,086</u>
<b>EXPENDITURES</b>			
Salaries	243,427	59,303	302,730
Benefits	40,828	16,157	56,985
Purchased services	79,077	23,996	103,073
Supplies and materials	10,997	6,347	17,344
Capital outlay	8,375	-	8,375
Other	144	440	584
On-behalf payments	-	961,056	961,056
Total expenditures	<u>382,848</u>	<u>1,067,299</u>	<u>1,450,147</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(59,066)	5	(59,061)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	216	-	216
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>216</u>	<u>-</u>	<u>216</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	(58,850)	5	(58,845)
<b>FUND BALANCE (DEFICIT), UNRESERVED, BEGINNING OF YEAR</b>	<u>(18,312)</u>	<u>(3,984)</u>	<u>(22,296)</u>
<b>FUND BALANCE (DEFICIT), UNRESERVED, END OF YEAR</b>	<u>\$ (77,162)</u>	<u>\$ (3,979)</u>	<u>\$ (81,141)</u>

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Technology Hub			School Improvement			Total		
	Budgeted Amounts		Variance	Budgeted Amounts		Variance	Budgeted Amounts		Variance
	Original	Final	Favorable (Unfavorable)	Original	Final	Favorable (Unfavorable)	Original	Final	Favorable (Unfavorable)
<b>REVENUES</b>									
State revenue	\$308,318	\$308,318	\$ 13,961	\$106,208	\$106,208	\$ -	\$414,526	\$414,526	\$ 13,961
Federal revenue	-	-	-	-	-	-	-	-	-
On-behalf revenue	-	-	-	-	961,056	961,056	-	-	961,056
Interest	-	1,503	1,503	-	40	40	-	-	1,543
Other	-	-	-	-	-	-	-	-	-
Total revenues	<u>308,318</u>	<u>308,318</u>	<u>15,464</u>	<u>106,208</u>	<u>1,067,304</u>	<u>961,096</u>	<u>414,526</u>	<u>1,391,086</u>	<u>976,560</u>
<b>EXPENDITURES</b>									
Salaries	182,858	182,858	243,427	59,200	59,303	(103)	242,058	242,058	302,730
Benefits	37,437	37,437	40,828	15,000	16,157	(1,157)	52,437	52,437	56,985
Purchased services	68,289	68,289	79,077	25,000	23,996	1,004	93,289	93,289	103,073
Supplies and materials	11,428	11,428	10,997	6,500	6,347	153	17,928	17,928	17,344
Capital outlay	8,241	8,241	8,375	-	-	-	8,241	8,241	8,375
Other	65	65	144	508	440	68	573	573	584
On-behalf payments	-	-	-	-	961,056	(961,056)	-	-	961,056
Total expenditures	<u>308,318</u>	<u>308,318</u>	<u>(74,530)</u>	<u>106,208</u>	<u>1,067,299</u>	<u>(961,091)</u>	<u>414,526</u>	<u>1,450,147</u>	<u>(1,035,621)</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(59,066)</u>	<u>\$ -</u>	<u>5</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(59,061)</u>
<b>EXPENDITURES</b>									
<b>OTHER FINANCING SOURCES (USES)</b>									
Operating transfers in		216			-				216
Operating transfers out		-			-				-
Total other financing sources (uses)		<u>216</u>			<u>-</u>				<u>216</u>
<b>NET CHANGE IN FUND BALANCE</b>		(58,850)		5				(58,845)	
<b>FUND BALANCE (DEFICIT), UNRESERVED, BEGINNING OF YEAR</b>		<u>(18,312)</u>		<u>(3,984)</u>				<u>(22,296)</u>	
<b>FUND BALANCE (DEFICIT), UNRESERVED, END OF YEAR</b>		<u>\$ (77,162)</u>		<u>\$ (3,979)</u>				<u>\$ (81,141)</u>	

The Technology Hub actual revenues and expenditures include \$13,961 applicable to the 2004 grant year.

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND  
JUNE 30, 2005**

ASSETS	Truants	Vocational	Title IV	Math &	Scientific	State	Regional
	Alternative & Optional Education Project	Adjustment Counselor	Community Service Grant	Science Partnership	Literacy	Substance Abuse & Violence Prevention	Safe Schools
Cash (overdrafts)	\$ 7,084	\$ 31,383	\$ 4,585	\$ 33,905	\$ 1,136	\$ 7,521	\$ (80,909)
Accounts receivable	-	-	-	-	-	-	-
Due from other governments	-	-	-	1,974	-	-	155,843
<b>TOTAL ASSETS</b>	<b>\$ 7,084</b>	<b>\$ 31,383</b>	<b>\$ 4,585</b>	<b>\$ 35,879</b>	<b>\$ 1,136</b>	<b>\$ 7,521</b>	<b>\$ 74,934</b>

**LIABILITIES AND FUND BALANCE**

LIABILITIES	Accounts payable	Accrued salaries	Due to other governments	Deferred revenue	Total liabilities	FUND BALANCE, UNRESERVED	TOTAL LIABILITIES AND FUND BALANCE, UNRESERVED
Accounts payable	\$ 388	\$ 3,567	\$ -	\$ -	\$ 373	\$ -	\$ 13,012
Accrued salaries	6,677	7,301	-	3,395	-	-	44,488
Due to other governments	-	-	4,585	-	1,136	7,521	-
Deferred revenue	-	-	-	32,111	-	-	2,552
Total liabilities	7,065	10,868	4,585	35,879	1,136	7,521	60,052
<b>FUND BALANCE, UNRESERVED</b>	<b>19</b>	<b>20,515</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,882</b>
<b>TOTAL LIABILITIES AND FUND BALANCE, UNRESERVED</b>	<b>\$ 7,084</b>	<b>\$ 31,383</b>	<b>\$ 4,585</b>	<b>\$ 35,879</b>	<b>\$ 1,136</b>	<b>\$ 7,521</b>	<b>\$ 74,934</b>

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND  
JUNE 30, 2005**

ASSETS	General State Aid	State Standards & Assessment	Title I School Improvement	Title II Teacher Quality	Title I Reading First		Title I Reading First Part B Training Academy	Total
					Part B SEA	Total		
Cash (overdrafts)	\$ 405,318	\$ (5,206)	\$ 9,534	\$ 45	\$ 2,702	\$ 12,580	\$ 429,678	
Accounts receivable	-	-	-	-	-	-	-	
Due from other governments	-	8,591	-	-	-	-	166,408	
<b>TOTAL ASSETS</b>	<b>\$ 405,318</b>	<b>\$ 3,385</b>	<b>\$ 9,534</b>	<b>\$ 45</b>	<b>\$ 2,702</b>	<b>\$ 12,580</b>	<b>\$ 596,086</b>	
<b>LIABILITIES AND FUND BALANCE</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ 2,314	\$ -	\$ -	\$ -	\$ -	\$ 154	\$ 19,808	
Accrued salaries	1,463	2,944	-	-	-	1,293	67,561	
Due to other governments	-	-	-	-	-	-	13,242	
Deferred revenue	-	441	9,534	-	2,702	11,133	58,473	
Total liabilities	3,777	3,385	9,534	-	2,702	12,580	159,084	
<b>FUND BALANCE, UNRESERVED</b>	<b>401,541</b>	<b>-</b>	<b>-</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>437,002</b>	
<b>TOTAL LIABILITIES AND FUND BALANCE, UNRESERVED</b>	<b>\$ 405,318</b>	<b>\$ 3,385</b>	<b>\$ 9,534</b>	<b>\$ 45</b>	<b>\$ 2,702</b>	<b>\$ 12,580</b>	<b>\$ 596,086</b>	

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
EDUCATION FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2005**

	Truants Alternative & Optional Education Project	Vocational Adjustment Counselor	Title IV Community Service Grant	Math & Science Partnership	Scientific Literacy	State Substance Abuse & Violence Prevention	Regional Safe Schools
<b>REVENUES</b>							
Local revenue	\$ 4,509	\$ 49,060	\$ -	\$ -	\$ -	\$ -	\$ -
State revenue	60,821	13,600	-	-	-	-	280,935
Federal revenue	-	114,846	-	337,011	-	-	67,592
Interest	85	400	-	-	-	-	-
Total revenues	<u>65,415</u>	<u>177,906</u>	<u>-</u>	<u>337,011</u>	<u>-</u>	<u>-</u>	<u>348,527</u>
<b>EXPENDITURES</b>							
Salaries	54,910	137,247	-	47,955	-	-	285,823
Benefits	10,486	27,514	-	10,195	-	-	43,708
Purchased services	-	9,061	-	189,179	-	-	7,295
Supplies and materials	-	2,150	-	57,669	-	-	11,701
Capital Outlay	-	-	-	-	-	-	-
Other	-	181	-	-	-	-	-
Payments to other governmental units	-	-	-	32,013	-	-	-
Total expenditures	<u>65,396</u>	<u>176,153</u>	<u>-</u>	<u>337,011</u>	<u>-</u>	<u>-</u>	<u>348,527</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	19	1,753	-	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating transfer in	-	-	-	-	-	-	-
Operating transfer out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	19	1,753	-	-	-	-	-
<b>FUND BALANCE (DEFICIT), UNRESERVED, BEGINNING OF YEAR</b>	-	18,762	-	-	-	-	14,882
<b>FUND BALANCE, UNRESERVED, END OF YEAR</b>	<u>\$ 19</u>	<u>\$ 20,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,882</u>

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
EDUCATION FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2005**

	General State Aid	State Standards & Assessment	Title I School Improvement	Title II Teacher Quality	Title I Reading Part B SEA	Title I Reading First Part B Training Academy	Total
<b>REVENUES</b>							
Local revenue	\$ 268	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,837
State revenue	210,970	45,527	-	-	-	-	611,853
Federal revenue	42,194	-	30,971	1,738	14,597	24,013	632,962
Interest	4,341	24	62	-	-	-	4,912
Total revenues	<u>257,773</u>	<u>45,551</u>	<u>31,033</u>	<u>1,738</u>	<u>14,597</u>	<u>24,013</u>	<u>1,303,564</u>
<b>EXPENDITURES</b>							
Salaries	43,754	38,244	23,504	860	7,908	11,148	651,353
Benefits	17,535	6,399	6,818	829	766	1,042	125,292
Purchased services	63,895	908	711	58	4,049	6,719	281,875
Supplies and materials	24,538	-	-	-	1,874	5,104	103,036
Capital Outlay	12,379	-	-	-	-	-	12,379
Other	11,369	-	-	-	-	-	11,550
Payments to other governmental units	-	-	-	-	-	-	32,013
Total expenditures	<u>173,470</u>	<u>45,551</u>	<u>31,033</u>	<u>1,747</u>	<u>14,597</u>	<u>24,013</u>	<u>1,217,498</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	84,303	-	-	(9)	-	-	86,066
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating transfer in	-	-	-	-	-	-	-
Operating transfer out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	84,303	-	-	(9)	-	-	86,066
<b>FUND BALANCE (DEFICIT), UNRESERVED, BEGINNING OF YEAR</b>	317,238	-	-	54	-	-	350,936
<b>FUND BALANCE, UNRESERVED, END OF YEAR</b>	<u>\$ 401,541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 437,002</u>

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2005**

	Truants Alternative and Optional Education Project			Vocational Adjustment Counselor		
	Budgeted Amounts Original	Actual	Variance Favorable (Unfavorable)	Budgeted Amounts Original	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Local revenue	\$ -	\$ 4,509	\$ 4,509	\$ -	\$ 49,060	\$ 49,060
State revenue	60,821	60,821	-	13,600	13,600	-
Federal revenue	-	-	-	114,846	114,846	-
Interest	-	85	85	-	400	400
Total revenues	<u>60,821</u>	<u>65,415</u>	<u>4,594</u>	<u>128,446</u>	<u>177,906</u>	<u>49,460</u>
<b>EXPENDITURES</b>						
Salaries	50,090	54,910	(4,820)	-	137,247	(137,247)
Benefits	10,731	10,486	245	-	27,514	(27,514)
Purchased services	-	-	-	-	9,061	(9,061)
Supplies and materials	-	-	-	-	2,150	(2,150)
Capital Outlay	-	-	-	-	-	-
Other	-	-	-	-	181	(181)
Payments to other governmental units	-	-	-	-	-	-
Total expenditures	<u>60,821</u>	<u>65,396</u>	<u>(4,575)</u>	<u>-</u>	<u>176,153</u>	<u>(176,153)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ -</u>	<u>\$ 19</u>	<u>\$ 19</u>	<u>\$ 128,446</u>	<u>\$ 1,753</u>	<u>\$ (126,693)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>		19			1,753	
<b>FUND BALANCE (DEFICIT), UNRESERVED, BEGINNING YEAR</b>		-			18,762	
<b>FUND BALANCE, UNRESERVED, END OF YEAR</b>		<u>\$ 19</u>			<u>\$ 20,515</u>	

See notes to the financial statements and independent auditor's report.







**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2005**

	Title I - Reading First Part B SEA				Title I - Reading First Part B Training Academy			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final			Original	Final		
<b>REVENUES</b>								
Local revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State revenue	-	-	-	-	-	-	-	-
Federal revenue	17,675	17,675	14,597	(3,078)	37,954	24,013	(13,941)	
Interest	-	-	-	-	-	-	-	-
Total revenues	<u>17,675</u>	<u>17,675</u>	<u>14,597</u>	<u>(3,078)</u>	<u>37,954</u>	<u>24,013</u>	<u>(13,941)</u>	
<b>EXPENDITURES</b>								
Salaries	7,908	7,908	7,908	-	22,800	11,148	11,652	
Benefits	767	767	766	1	2,300	1,042	1,258	
Purchased services	5,000	5,000	4,049	951	8,600	6,719	1,881	
Supplies and materials	4,000	4,000	1,874	2,126	4,254	5,104	(850)	
Capital Outlay	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	
Payments to other governmental units	-	-	-	-	-	-	-	
Total expenditures	<u>17,675</u>	<u>17,675</u>	<u>14,597</u>	<u>3,078</u>	<u>37,954</u>	<u>24,013</u>	<u>13,941</u>	
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in	-	-	-	-	-	-	-	
Operating transfers out	-	-	-	-	-	-	-	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>								
FUND BALANCE (DEFICIT), UNRESERVED, BEGINNING YEAR								
FUND BALANCE, UNRESERVED, END OF YEAR								<u>\$ -</u>

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Total</u>			<u>Variance Favorable (Unfavorable)</u>
	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Final</u>	
	<u>Original</u>			
<b>REVENUES</b>				
Local revenue	-	\$ 53,569	-	\$ 53,569
State revenue	524,177	400,883	520,659	(119,776)
Federal revenue	698,115	590,768	718,115	(127,347)
Interest	-	571	-	571
Total revenues	<u>1,222,292</u>	<u>1,045,791</u>	<u>1,238,774</u>	<u>(192,983)</u>
<b>EXPENDITURES</b>				
Salaries	679,077	607,599	669,448	61,849
Benefits	77,743	107,757	72,220	(35,537)
Purchased services	258,260	217,980	277,095	59,115
Supplies and materials	78,766	78,498	91,565	13,067
Capital Outlay	-	-	-	-
Other	-	181	-	(181)
Payments to other governmental units	-	32,013	-	(32,013)
Total expenditures	<u>1,093,846</u>	<u>1,044,028</u>	<u>1,110,328</u>	<u>66,300</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ 128,446</u>	<u>1,763</u>	<u>\$ 128,446</u>	<u>\$ (126,683)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in		-		
Operating transfers out		-		
Total other financing sources (uses)		<u>-</u>		
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>		<u>1,763</u>		
<b>FUND BALANCE (DEFICIT), UNRESERVED, BEGINNING YEAR</b>		<u>33,698</u>		
<b>FUND BALANCE, UNRESERVED, END OF YEAR</b>		<u>\$ 35,461</u>		

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
BUDGETARY COMPARISON SCHEDULE  
TECHNOLOGY ENHANCING EDUCATION GRANT  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Favorable (Unfavorable)</b>
REVENUES				
Local revenue	\$ -	\$ -	\$ -	\$ -
State revenue	-	-	-	-
Federal revenue	1,246,341	1,246,341	1,202,189	(44,152)
Interest	-	-	-	-
Total revenues	<u>1,246,341</u>	<u>1,246,341</u>	<u>1,202,189</u>	<u>(44,152)</u>
EXPENDITURES				
Salaries and benefits	91,926	91,926	81,516	10,410
Purchased services	181,004	181,004	198,103	(17,099)
Supplies and materials	471,677	471,677	177,557	294,120
Capital Outlay	20,132	20,132	270,565	(250,433)
Other	481,602	481,602	474,448	7,154
Payments to other governmental units	-	-	-	-
Total expenditures	<u>1,246,341</u>	<u>1,246,341</u>	<u>1,202,189</u>	<u>44,152</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in			-	
Operating transfers out			-	
Total other financing sources (uses)			<u>-</u>	
NET CHANGE IN FUND BALANCES			-	
FUND BALANCE (DEFICIT), UNRESERVED, BEGINNING YEAR			<u>-</u>	
FUND BALANCE, (DEFICIT) UNRESERVED, END OF YEAR			<u>\$ -</u>	

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
 BUDGETARY COMPARISON SCHEDULE  
 TECHNOLOGY INNOVATION CHALLENGE  
 FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local revenue	\$ -	\$ -	\$ -	\$ -
State revenue	-	-	-	-
Federal revenue	2,000,000	2,000,000	231,732	(1,768,268)
Interest	-	-	-	-
Total revenues	<u>2,000,000</u>	<u>2,000,000</u>	<u>231,732</u>	<u>(1,768,268)</u>
<b>EXPENDITURES</b>				
Salaries and benefits	98,560	98,560	119,053	(20,493)
Purchased services	601,940	601,940	107,947	493,993
Supplies and materials	389,500	389,500	16,041	373,459
Capital Outlay	850,000	850,000	-	850,000
Other	60,000	60,000	-	60,000
Payments to other governmental units	-	-	-	-
Total expenditures	<u>2,000,000</u>	<u>2,000,000</u>	<u>243,041</u>	<u>1,756,959</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	(11,309)	<u>\$ (11,309)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in			-	
Operating transfers out			-	
Total other financing sources (uses)			<u>-</u>	
<b>NET CHANGE IN FUND BALANCES</b>			(11,309)	
<b>FUND BALANCE (DEFICIT), UNRESERVED, BEGINNING YEAR</b>			<u>(1,654)</u>	
<b>FUND BALANCE, (DEFICIT), UNRESERVED, END OF YEAR</b>			<u>\$ (12,963)</u>	

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
 COMBINING SCHEDULE OF ACCOUNTS  
 EDUCATIONAL THERAPY CENTER FUND  
 JUNE 30, 2005**

	<b>Unemployment Reserve</b>	<b>Lunch Account Program</b>	<b>Day Program</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and investments	\$ 142,549	\$ 13,371	\$ 448,749	\$ 604,669
Accounts receivable	-	198	128,091	128,289
Due from other governments	-	-	-	-
	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 142,549</b>	<b>\$ 13,569</b>	<b>\$ 576,840</b>	<b>\$ 732,958</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 8,732	\$ 8,732
Due to other governments	-	-	-	-
Accrued salaries	-	-	99,804	99,804
Deferred revenue	-	-	-	-
Total liabilities	-	-	108,536	108,536
<b>FUND BALANCE, UNRESERVED</b>	<b>142,549</b>	<b>13,569</b>	<b>468,304</b>	<b>624,422</b>
<b>TOTAL LIABILITIES AND FUND BALANCE, UNRESERVED</b>	<b>\$ 142,549</b>	<b>\$ 13,569</b>	<b>\$ 576,840</b>	<b>\$ 732,958</b>

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
EDUCATIONAL THERAPY CENTER FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Unemployment Reserve</u>	<u>Lunch Account Program</u>	<u>Day Program</u>	<u>Total</u>
<b>REVENUES</b>				
Local revenue	\$ -	\$ 5,160	\$ 1,238,495	\$ 1,243,655
State revenue	-	1,625	110,351	111,976
Federal revenue	-	23,968	-	23,968
Interest	1,980	127	3,388	5,495
Total revenues	<u>1,980</u>	<u>30,880</u>	<u>1,352,234</u>	<u>1,385,094</u>
<b>EXPENDITURES</b>				
Salaries	-	-	988,481	988,481
Benefits	-	-	187,612	187,612
Purchased services	-	25,940	41,570	67,510
Supplies and materials	-	5,008	39,351	44,359
Other	-	-	3,750	3,750
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>30,948</u>	<u>1,260,764</u>	<u>1,291,712</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	1,980	(68)	91,470	93,382
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	41	41
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>41</u>	<u>41</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>				
	1,980	(68)	91,511	93,423
<b>FUND BALANCE (DEFICIT), UNRESERVED, BEGINNING OF YEAR</b>				
	<u>140,569</u>	<u>13,637</u>	<u>376,793</u>	<u>530,999</u>
<b>FUND BALANCE (DEFICIT), UNRESERVED, END OF YEAR</b>				
	<u>\$ 142,549</u>	<u>\$ 13,569</u>	<u>\$ 468,304</u>	<u>\$ 624,422</u>

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
BUDGETARY COMPARISON SCHEDULE  
LINCOLN CHARTER SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>REVENUES</b>				
Local revenue	\$ 197,780	\$ 197,780	\$ 204,091	\$ 6,311
State revenue	-	-	-	-
Federal revenue	285,008	285,008	280,979	(4,029)
Interest	-	-	264	264
Total revenues	<u>482,788</u>	<u>482,788</u>	<u>485,334</u>	<u>2,546</u>
<b>EXPENDITURES</b>				
Salaries and benefits	483,804	483,804	308,528	175,276
Purchased services	-	-	104,784	(104,784)
Supplies and materials	9,786	9,786	37,902	(28,116)
Capital Outlay	33,095	33,095	22,424	10,671
Total expenditures	<u>526,685</u>	<u>526,685</u>	<u>473,638</u>	<u>53,047</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>				
	<u>\$ (43,897)</u>	<u>\$ (43,897)</u>	11,696	<u>\$ 55,593</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in			-	
Operating transfers out			-	
Total other financing sources (uses)			<u>-</u>	
<b>NET CHANGE IN FUND BALANCES</b>			11,696	
<b>FUND BALANCE (DEFICIT), UNRESERVED, BEGINNING YEAR</b>			<u>-</u>	
<b>FUND BALANCE, UNRESERVED, END OF YEAR</b>			<u>\$ 11,696</u>	

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2005**

<b>ASSETS</b>	<b>GED</b>	<b>Bus Driver Training</b>	<b>Supervisory Expense</b>	<b>Admini- strative</b>	<b>Early Childhood Symposium</b>
Cash and investments	\$15,500	\$ 8,714	\$ -	\$ 108,898	\$ -
Accounts receivable	-	-	-	-	-
Due from other governments	-	-	-	13,170	-
<b>TOTAL ASSETS</b>	<b><u>\$15,500</u></b>	<b><u>\$ 8,714</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 122,068</u></b>	<b><u>\$ -</u></b>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 126	\$ 159	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-	-
Accrued salaries	1,031	-	-	-	-
Deferred revenue	-	-	-	-	-
	<u>1,157</u>	<u>159</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE (DEFICIT), UNRESERVED</b>	<b><u>14,343</u></b>	<b><u>8,555</u></b>	<b><u>-</u></b>	<b><u>122,068</u></b>	<b><u>-</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE (DEFICIT), UNRESERVED</b>	<b><u>\$15,500</u></b>	<b><u>\$ 8,714</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 122,068</u></b>	<b><u>\$ -</u></b>

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2005**

<b>ASSETS</b>	<b>Youth and Camp Success</b>	<b>Illinois Century Network</b>	<b>Standards Aligned Classroom</b>	<b>Pre- K Forum</b>	<b>ROE State Grant</b>	<b>TOTALS</b>
Cash and investments	\$ 10,309	\$ -	\$ 5,271	\$ -	\$ -	\$ 148,692
Accounts receivable	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	13,170
<b>TOTAL ASSETS</b>	<b><u>\$ 10,309</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,271</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 161,862</u></b>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 7,566	\$ -	\$ 1,500	\$ -	\$ -	\$ 9,351
Due to other governments	-	-	1,194	-	-	1,194
Accrued salaries	-	-	-	-	-	1,031
Deferred revenue	-	-	-	-	-	-
	<u>7,566</u>	<u>-</u>	<u>2,694</u>	<u>-</u>	<u>-</u>	<u>11,576</u>
<b>FUND BALANCE (DEFICIT), UNRESERVED</b>	<b><u>2,743</u></b>	<b><u>-</u></b>	<b><u>2,577</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>150,286</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE (DEFICIT), UNRESERVED</b>	<b><u>\$ 10,309</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,271</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 161,862</u></b>

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>GED</b>	<b>Bus Driver Training</b>	<b>Supervisory Expense</b>	<b>Admini- strative</b>	<b>Early Childhood Symposium</b>
<b>REVENUES</b>					
Local revenue	\$ 20,298	\$ 4,632	\$ -	\$ 21,291	\$ -
State revenue	-	-	1,000	-	-
Federal revenue	-	-	-	-	-
Interest	164	184	34	2,256	-
Total revenues	<u>20,462</u>	<u>4,816</u>	<u>1,034</u>	<u>23,547</u>	<u>-</u>
<b>EXPENDITURES</b>					
Salaries	-	-	-	-	-
Benefits	897	952	-	-	-
Purchased services	16,442	7,140	1,034	25,819	-
Supplies and materials	5,228	1,184	-	632	-
Capital outlay	-	-	-	12,395	-
Other	-	-	-	3,010	-
Payments to other governmental units	-	-	-	-	-
Total expenditures	<u>22,567</u>	<u>9,276</u>	<u>1,034</u>	<u>41,856</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	<u>(2,105)</u>	<u>(4,460)</u>	<u>-</u>	<u>(18,309)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	-	-	-	8,171	-
Operating transfers out	-	-	-	-	(178)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,171</u>	<u>(178)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>					
	<u>(2,105)</u>	<u>(4,460)</u>	<u>-</u>	<u>(10,138)</u>	<u>(178)</u>
<b>FUND BALANCE (DEFICIT), UNRESERVED, BEGINNING OF YEAR</b>					
	<u>16,448</u>	<u>13,015</u>	<u>-</u>	<u>132,206</u>	<u>178</u>
<b>FUND BALANCE (DEFICIT), UNRESERVED, END OF YEAR</b>					
	<u>\$ 14,343</u>	<u>\$ 8,555</u>	<u>\$ -</u>	<u>\$ 122,068</u>	<u>\$ -</u>

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	Youth and Camp Success	Illinois Century Network	Standards Aligned Classroom	Pre-K Forum	ROE State Grant	TOTAL
<b>REVENUES</b>						
Local revenue	\$ 36,729	\$ -	\$ 28,806	\$ -	\$ -	\$ 111,756
State revenue	-	-	-	-	-	1,000
Federal revenue	-	-	-	-	-	-
Interest	149	17	215	-	-	3,019
Total revenues	<u>36,878</u>	<u>17</u>	<u>29,021</u>	<u>-</u>	<u>-</u>	<u>115,775</u>
<b>EXPENDITURES</b>						
Salaries	-	-	15,800	-	-	15,800
Benefits	-	-	2,266	-	-	4,115
Purchased services	48,566	-	6,550	-	-	105,551
Supplies and materials	1,736	-	4,064	-	-	12,844
Capital outlay	-	-	-	-	-	12,395
Other	-	-	-	-	-	3,010
Payments to other governmental units	-	-	-	-	-	-
Total expenditures	<u>50,302</u>	<u>-</u>	<u>28,680</u>	<u>-</u>	<u>-</u>	<u>153,715</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>						
	<u>(13,424)</u>	<u>17</u>	<u>341</u>	<u>-</u>	<u>-</u>	<u>(37,940)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	-	(8,171)	-	-	-	-
Operating transfers out	-	-	-	(3)	(35)	(216)
Total other financing sources (uses)	<u>-</u>	<u>(8,171)</u>	<u>-</u>	<u>(3)</u>	<u>(35)</u>	<u>(216)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>						
	<u>(13,424)</u>	<u>(8,154)</u>	<u>341</u>	<u>(3)</u>	<u>(35)</u>	<u>(38,156)</u>
<b>FUND BALANCE (DEFICIT), UNRESERVED, BEGINNING OF YEAR</b>						
	<u>16,167</u>	<u>8,154</u>	<u>2,236</u>	<u>3</u>	<u>35</u>	<u>188,442</u>
<b>FUND BALANCE (DEFICIT), UNRESERVED, END OF YEAR</b>						
	<u>\$ 2,743</u>	<u>\$ -</u>	<u>\$ 2,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,286</u>

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

<b><u>TRS &amp; THIS Fund</u></b>	<b><u>Balance, July 1, 2004</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Balance, June 30, 2005</u></b>
<b>ASSETS</b>				
Cash (overdraft)	\$ (6,182)	\$ 210,474	\$ 210,462	\$ (6,170)
Accounts receivable	-	3,144	-	3,144
Total assets	<u>\$ (6,182)</u>	<u>\$ 213,618</u>	<u>\$ 210,462</u>	<u>\$ (3,026)</u>
<b>LIABILITIES</b>				
Due to other governments	<u>\$ (6,182)</u>	<u>\$ 213,618</u>	<u>\$ 210,462</u>	<u>\$ (3,026)</u>

See notes to the financial statements and independent auditor's report.

**SINGLE AUDIT SECTION**

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

<b>Federal Grantor/Pass-Through Grantor, Program Title &amp; Major Program Designation</b>	<b>CFDA Number</b>	<b>Project Number (1st 8 digits) or Contract #</b>	<b>Federal Expenditures 7/1/04- 6/30/2005</b>
U.S. Department of Education passed through Illinois State Board of Education (ISBE):			
Math and Science Partnership (M)	84.366	05-4936-00	\$ 116,012
	84.366	04-4936-00	220,999
			<u>337,011</u>
Technology Enhancing Education - Competitive (M)	84.318	05-4972-00	1,054,259
	84.318	04-4972-00	147,930
			<u>1,202,189</u>
Title I - Reading First Part B SEA Funds	84.357	05-4337-00	13,036
	84.357	04-4337-00	1,561
Title I - Reading First Part B SEA Funds	84.357	05-4337-02	23,713
	84.357	04-4337-02	300
			<u>38,610</u>
Lincoln Charter School (M)	84.282	05-4960-00	280,979
U.S. Department of Education passed through St Clair County Regional Office of Education #50:			
School Improvement Title I	84.010	05-4331-SS	30,971
School Improvement Title II	84.367	05-4935-SS	1,738
U.S. Department of Education passed through Illinois Department of Rehabilitation Services (IDORS):			
Vocational Adjustment Counselor	84.126	44440C40	114,846
U.S. Department of Education			
Technology Innovative Challenge	84.303	R303A9803	243,041
Total U.S. Department of Education			<u>\$ 2,249,385</u>
U.S. Department of Agriculture passed through ISBE:			
School Breakfast Program	10.553	05-4220-00	\$ 5,919
		04-4220-00	688
			<u>6,607</u>
National School Lunch Program	10.555	05-4210-00	15,546
		04-4210-00	1,815
			<u>17,361</u>
Total U.S. Department of Agriculture			<u>\$ 23,968</u>
U.S. Department of Health and Human Services passed through ISBE:			
Regional Safe Schools (TANF) (M)	93.558	05-3696-00	\$ 67,592
General State Aid (TANF) (M)	93.558	05-3001-93	42,194
Total U.S. Department of Health & Human Services			<u>\$ 109,786</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 2,383,139</u></u>

(M) Program was audited as a major program

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

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Madison County Regional Office of Education #41 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 on this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2: SUBRECIPIENTS**

There were no federal awards provided to subrecipients.

**NOTE 3: DESCRIPTION OF MAJOR FEDERAL PROGRAMS**

Math and Science Partnership

The purpose of this grant was to target math and science teachers with content for professional development.

Technology Enhancing Education – Competitive

This grant is meant to expand on the objectives of the Technology Innovation Challenge. The funds are used to purchase more advanced equipment for the schools in the area and to put on workshops for teachers to help them better understand how to use the technology in their classrooms.

Lincoln Charter School

This funding was to be used to establish a high school to replace the Venice High School that was closed in 2003. The school is to provide an option for students that did not want to attend East St Louis High School. The grant monies were used to establish the charter high school at a vacant building that had been used for community college courses.

Regional Safe Schools

The objective for this grant is to provide funding for a school that caters to students that have been expelled from other schools in the area for no tolerance violations such as drugs, alcohol, and violence. This school provides an environment where the teachers can tailor the curriculum to each student based on their needs. The major purpose of this school is to give kids a second chance not only academically, but also correct whatever problems sent them to the school in the first place.

General State Aid

This grant consists of federal and state monies. The federal portion is to be used for support costs for the Regional Safe Schools program. The state monies can be used for various operating expenses the Regional Office of Education has that are not covered by a specific grant or program. Its monies are mainly used for the payment of utilities, maintenance, miscellaneous office supplies and miscellaneous salaries.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 4 - NON-CASH ASSISTANCE**

Madison County Regional Office of Education #41 did not receive any federal non-cash assistance.

**NOTE 5 - LOANS AND INSURANCE**

There were no federal awards received or disbursed by the Madison County Regional Office of Education for the purpose of loans or insurance.