

State of Illinois  
McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION No. 44  
FINANCIAL AUDIT  
(In Accordance with the Single Audit Act  
and OMB Circular A-133)  
FOR THE YEAR ENDED JUNE 30, 2005

Performed as Special Assistant Auditors  
For the Auditor General, State of Illinois

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**For the Year Ended June 30, 2005**

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**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**

**AGENCY OFFICIALS**

Regional Superintendent  
Current  
During audit period

Mr. Eugene T. Goeglein  
Mr. Donald R. Englert

Assistant Regional Superintendent  
Current  
During audit period

Mr. Joseph R. Williams, Sr.  
Mr. Eugene T. Goeglein

Agency offices are located at:

McHenry County Government Center  
2200 N. Seminary Avenue (Route 47)  
Woodstock, Illinois 60098

**COMPLIANCE REPORT SUMMARY**

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

**AUDITOR'S REPORTS**

The auditor's reports 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>
Findings	1	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

<u>Item No.</u>	<u>Page(s)</u>	<u>Description</u>
FINDINGS ( <i>GOVERNMENT AUDITING STANDARDS</i> )		
05-01	11-12	Controls over compliance with laws and regulations.
FINDINGS AND QUESTIONED COSTS ( <i>FEDERAL COMPLIANCE</i> )		
-N/A-		
PRIOR FINDINGS NOT REPEATED ( <i>GOVERNMENT AUDITING STANDARDS</i> )		
-N/A-		
PRIOR FINDINGS NOT REPEATED ( <i>FEDERAL COMPLIANCE</i> )		
-N/A-		

**EXIT CONFERENCE**

An informal exit conference was held with agency personnel on October 26, 2005. Attending were Mr. Eugene T. Goeglein, Regional Superintendent and Maria de J. Prado, Partner from Prado & Renteria CPAs, Prof. Corp. The response to the recommendation was provided by Mr. Eugene T. Goeglein.

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**

**FINANCIAL STATEMENT REPORT SUMMARY**

The audit of the accompanying basic financial statements of the McHenry County Regional Office of Education No. 44 was performed by Prado & Renteria CPAs, Prof. Corp.

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



## INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the McHenry County Regional Office of Education No. 44, as of and for the year ended June 30, 2005, which collectively comprise the McHenry County Regional Office of Education No. 44's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the McHenry County Regional Office of Education No. 44's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the McHenry County Regional Office of Education No. 44, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 2005 on our consideration of the McHenry County Regional Office of Education No. 44's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The *Management's Discussion and Analysis* on pages 16 through 20, 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 McHenry County Regional Office of Education No. 44's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Disbursements to School District Treasurers and Other Entities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Dado J. Renteria".

Chicago, Illinois  
October 26, 2005



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the McHenry County Regional Office of Education No. 44, as of and for the year ended June 30, 2005, which collectively comprise the McHenry County Regional Office of Education No. 44's basic financial statements and have issued our report thereon dated October 26, 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 McHenry County Regional Office of Education No. 44's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the McHenry County Regional Office of Education No. 44's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance which is required by the *Guidelines to Auditing and Reporting for a Regional Office of Education*, to be reported on the accompanying Schedule of Findings and Questioned Costs as item 05-01.

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

*David J. Renteria*

Chicago, Illinois  
October 26, 2005



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

Honorable William G. Holland  
Auditor General  
State of Illinois

**Compliance**

We have audited the compliance of the McHenry County Regional Office of Education No. 44 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 McHenry County Regional Office of Education No. 44's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the McHenry County Regional Office of Education No. 44's management. Our responsibility is to express an opinion on the McHenry County Regional Office of Education No. 44's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 criteria as required by the *Guidelines to Auditing and Reporting for a Regional Office of Education*. Those standards and criteria require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the McHenry County Regional Office of Education No. 44'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 McHenry County Regional Office of Education No. 44's compliance with those requirements.

In our opinion, the McHenry County Regional Office of Education No. 44 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

## Internal Control Over Compliance

The management of the McHenry County Regional Office of Education No. 44 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 McHenry County Regional Office of Education No. 44's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 criteria as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*.

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

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



Chicago, Illinois  
October 26, 2005



**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
For the Year Ended June 30, 2005

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Part II: Findings Related to the Financial Statements:

**Finding No. 05-01 – Controls Over Compliance with Laws and Regulations**

**Criteria/specific requirement:**

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

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

**Condition:**

The Regional Office is not examining all books, accounts, and vouchers of every school treasurer in his educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school districts in his region. In addition, the Regional Office gets a spreadsheet from the Illinois State Board of Education (ISBE) that outlines all of the school districts and their audit exceptions, if any. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

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

In addition to the procedures outlined above, the ROE Superintendent, conducts compliance reviews of four Districts (out of a total of 18) per year. These reviews include review of governance and operations, general health and safety, personnel and instructional programs (including special education and transitional bilingual and instruction programs).

**Effect:**

The Regional Office of Education No. 44 did not comply with statutory requirements.

**Cause:**

The Regional Superintendent believes this mandate is outdated and that he is satisfying the intent of the statute by the other reviews he undertakes.

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
For the Year Ended June 30, 2005

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**Recommendation:**

The Regional Office of Education No. 44 should comply with the requirements of 105 ILCS 5/3-14.11. If the Regional Office believes the statutory mandate is obsolete or otherwise unnecessary, then it should seek legislative action to revise the statute accordingly.

**Management's Response:**

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

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

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
For the Year Ended June 30, 2005

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Part III: Findings and Questioned Costs for Federal Awards: -N/A-

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**CORRECTIVE ACTION PLAN FOR CURRENT-YEAR FINDINGS**  
June 30, 2005

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**Corrective Action Plan**

**Finding No. 05-01**

**Condition:**

The Regional Office is not examining all books, accounts, and vouchers of every school treasurer in his educational service area at least once each year as required by Illinois School Code 105 ILCS 5/3-14.11.

**Plan:**

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

**Anticipated Date of Completion:**

The Regional Office of Education No. 44 anticipates that contact with the General Assembly will be made by June 30, 2006.

**Name of Contact Person:**

Mr. Eugene T. Goeglein, Superintendent

**Management Response:**

Not applicable

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Year Ended June 30, 2005

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**Finding Number**

**Condition**

**Current Status**

N/A

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2005**

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As management of McHenry County Regional Office of Education No. 44, we offer the readers of the financial statements this narrative overview and analysis of the financial activities of McHenry County Regional Office of Education No. 44 for the year ended June 30, 2005.

Management's Discussion and Analysis (MD&A) is a new element of required supplementary information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 issued in June 1999. Certain comparative information between the current year (2005) and the prior year (2004), is required to be presented in the MD&A. This is the second year of implementation of the new reporting model contained in GASB Statement No. 34. McHenry County Regional Office of Education No. 44 has prepared comparative data. This comparative analysis will continue to be provided in future years.

MD&A is provided at the beginning of the report to provide an overview of McHenry County Regional Office of Education No. 44's financial position at June 30, 2005 and the results of operations for the year ended. This summary should not be taken as a replacement for the audit report, which consists of the financial statements, notes to the financial statements, required and other supplementary information.

**Using This Financial Report**

The financial section of this annual report consists of four parts – Independent Auditor's Reports, required supplementary information which includes the MD&A (this section), the basic financial statements, and other supplementary information. The basic financial statements include two kinds of statements that present different views of McHenry County Regional Office of Education No. 44: 1) government-wide financial statements and 2) fund financial statements.

**Government – Wide Financial Statements**

The first two statements are government-wide financial statements that provide both short term and long term information about McHenry County Regional Office of Education No. 44's overall financial status, similar to a private sector business. In the government-wide financial statements, activities are shown in one category – governmental activities. McHenry County Regional Office of Education No. 44's basic service is education. These activities are largely financed with local, state and federal revenues.

The Statement of Net Assets presents information on all of McHenry County Regional Office of Education No. 44's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of McHenry County Regional Office of Education No. 44 is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. The financial statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when earned and expenditures and liabilities are recognized when the service or goods are received.

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Year Ended June 30, 2005**

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Fund Financial Statements

The fund financial statements provide more detailed information about McHenry County Regional Office of Education No. 44's funds – not McHenry County Regional Office of Education No. 44 as a whole. Funds are specific segregations of cash and accounting devices McHenry County Regional Office of Education No. 44 uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law, while others are established to control and manage money for particular purposes or to show that McHenry County Regional Office of Education No. 44 is properly using certain revenues.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for each. By doing so, readers may better understand the long-term impact of McHenry County Regional Office of Education No. 44's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

McHenry County Regional Office of Education No. 44 maintains individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and the Changes in Fund Balances for all these funds. These funds are considered major funds of McHenry County Regional Office of Education No. 44. More detail of the individual revenues and expenditures for these funds is presented in the supplementary section of this report.

McHenry County Regional Office of Education No. 44 is not legally required to adopt budgets. McHenry County Regional Office of Education No. 44 is required by Illinois State Board of Education (ISBE), the granting agency, to adopt annual budgets for certain program money received by the Education Fund of the governmental funds. A Budgetary Comparison Schedule has been provided as supplementary information for Regional Safe School Program (2005 and 2004), Regional Safe School Program – General State Aid, and Title IV Community Service (all part of the major education fund), which is in compliance with GASB Statement No. 34.

The last category of funds is the Agency Fund. The Regional Office of Education is the trustee, or agent, for assets that belong to others or are designated to be used for a specific purpose. McHenry County Regional Office of Education No. 44 is responsible for ensuring that the assets reported in these funds are used only for their intended purpose and by those to whom the assets belong. McHenry County Regional Office of Education No. 44's agency activities are reported in a separate Combining Statement of Changes in Assets and Liabilities – Agency Funds and a Combining Statement of Fiduciary Net Assets – Agency Funds. These activities are excluded from the government-wide financial statements because McHenry County Regional Office of Education No. 44 cannot use these assets to finance its operations.

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Year Ended June 30, 2005**

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Condensed Financial Information

Net assets are summarized in the table below.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Assets:		
Current Assets	\$227,950	\$164,909
Capital Assets	-0-	-0-
Total Assets	<u>227,950</u>	<u>164,909</u>
Liabilities:		
Current Liabilities	67,830	13,050
Non-current Liabilities	-0-	-0-
Total Liabilities	<u>67,830</u>	<u>13,050</u>
Net Assets:		
Unrestricted	<u>160,120</u>	<u>151,859</u>
Total Net Assets	<u>\$160,120</u>	<u>\$151,859</u>

Current assets consist of cash, \$227,800, and accounts receivable, \$150.

As of June 30, 2005, McHenry County Regional Office of Education No. 44 had no outstanding long-term debt.

McHenry County Regional Office of Education No. 44's net assets consist of unrestricted net assets which represent net assets that have not been restricted by an outside party. This includes funds that have been designated for specific uses as well as amounts that are contractually committed for goods and services.

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Year Ended June 30, 2005**

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Revenues, expenditures, and changes in net assets are summarized in the table below.

<b>Condensed Statement of Activities</b>		
<b>For Fiscal Year Ending:</b>		
	<b><u>June 30, 2005</u></b>	<b><u>June 30, 2004</u></b>
Revenues received:		
Program:		
Operating grants and contributions	\$573,713	\$457,235
General:		
Local sources	117,060	79,622
On-behalf payments	197,119	194,994
Interest	2,315	753
Miscellaneous	<u>39,168</u>	<u>1,743</u>
Total revenue received	<u>929,375</u>	<u>734,347</u>
Expenditures disbursed:		
Instructional services:		
Purchased services	139,497	90,274
Supplies and materials	15,305	34,123
Payments to other governments	569,193	439,638
Administrative services:		
On-behalf payments	<u>197,119</u>	<u>194,994</u>
Total expenditures disbursed	<u>921,114</u>	<u>759,029</u>
Change in net assets	8,261	(24,682)
Net assets – beginning	<u>151,859</u>	<u>176,541</u>
Net assets – ending	<u>\$160,120</u>	<u>\$151,859</u>

Major sources of operating revenues for McHenry County Regional Office of Education No. 44 include: Federal and State grants, teacher certificate fees, GED application fees and intergovernmental revenue.

**Management's Analysis of the Regional Office of Education's Overall Financial Position and Results of Operations**

During the year ended June 30, 2005, the ROE did not invest any monies in capital assets.

During the year, unrestricted net assets increased by \$8,261 from \$151,859 in 2004 to \$160,120 in 2005. This is in part due to adding Fingerprinting services in January 2005 for a balance increase in 2005 of \$4,486 to our net assets. The increase also resulted from the Education and Institute Fund activities. In the Education Fund, the recycling education program resulted in a \$14,386 excess of expenditures over revenues. The Education Fund's deficiency was offset by an increase in revenues over expenditures of \$15,845 in the Institute Fund. This resulted from reduction of expenditures and increased teacher certificate fees.

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Year Ended June 30, 2005**

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Total revenue for fiscal year ended June 30, 2004 was \$734,347 and increased by \$195,028 to \$929,375 for fiscal year ended June 30, 2005, primarily due to increased federal revenue for fiscal year ended June 30, 2005. Expenses increased by \$162,085 from \$759,029 in fiscal year ended June 30, 2004 to \$921,114 during fiscal year ended June 30, 2005 primarily due to a similar increase in expenditures relating to federal revenue.

**Factors or Conditions Impacting Future Periods**

Within the Governmental Funds, fingerprinting revenue will continue to grow in the Regional Office of Education No. 44 as more types of fingerprinting are publicized (Hazmat, Nurses, Loan Officers, Massage Therapists, and Security) and more people continue to come to our office to be printed. Recycling revenue will also increase with the remainder of the \$40,000 grant expected to be expended by May of 2006. The Education Fund should remain about the same in Fiscal 2006 as in Fiscal 2005 as we will continue to be fiscal agent for the McHenry County Cooperative for Employment.

On a long-term basis, the Regional Office of Education No. 44 is in a stable financial standing and we anticipate that it will remain stable as we are not aware of any legislation which would impact the office in the next year or in the long-term.

**Contacting the Regional Office of Education No. 44's Financial Management**

This financial report is designed to provide the Regional Office of Education No. 44's citizens, taxpayers, customers, and creditors with a general overview of the Regional Office of Education No. 44's finances and to demonstrate the Regional Office of Education No. 44's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Regional Office of Education No. 44, McHenry County Government Center, 2200 N. Seminary Avenue (Route 47), Woodstock, IL 60098.

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

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**ASSETS**

Current Assets:

Cash	\$227,800
Accounts receivable	150
Total Assets	<u>\$227,950</u>

**LIABILITIES**

Current Liabilities:

Accounts payable	19,732
Deferred revenue	48,098
Total Current Liabilities	<u>67,830</u>

**NET ASSETS**

Unrestricted Net Assets	<u>\$160,120</u>
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The accompanying notes to the basic financial statements are an integral part of this statement.

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Net (Expense) Revenue and Changes in Net Assets</u> <u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>FUNCTIONS/PROGRAMS</b>			
Primary Government:			
Governmental activities:			
Instructional Services:			
Purchased services	\$139,497	\$4,000	(\$135,497)
Supplies and materials	15,305	7,161	(8,144)
Payments to other governments	569,193	562,552	(6,641)
Administrative:			
On-behalf payments	<u>197,119</u>	<u>0</u>	<u>(197,119)</u>
Total Governmental Activities	<u><u>921,114</u></u>	<u><u>573,713</u></u>	<u><u>(347,401)</u></u>
General Revenues:			
Local sources			\$117,060
On-behalf payments			197,119
Interest			2,315
Miscellaneous			<u>39,168</u>
Total general revenues, special and extraordinary items, and transfers			<u>355,662</u>
Change in net assets			8,261
Net Assets - Beginning			<u>151,859</u>
Net Assets - Ending			<u><u>\$160,120</u></u>

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

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**

	<u>General Fund</u>	<u>Education</u>	<u>Institute</u>	<u>General Educational Development</u>	<u>Finger- Printing</u>	<u>Other Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>							
Cash	\$4,139	\$38,954	\$109,868	\$30,137	\$35,839	\$8,863	\$227,800
Accounts receivable	0	0	150	0	0	0	150
Total assets	<u>\$4,139</u>	<u>\$38,954</u>	<u>\$110,018</u>	<u>\$30,137</u>	<u>\$35,839</u>	<u>\$8,863</u>	<u>\$227,950</u>
<b><u>LIABILITIES</u></b>							
Accounts payable	\$0	\$0	\$0	\$0	\$19,732	\$0	\$19,732
Deferred revenue	0	36,477	0	0	11,621	0	48,098
Total liabilities	<u>0</u>	<u>36,477</u>	<u>0</u>	<u>0</u>	<u>31,353</u>	<u>0</u>	<u>67,830</u>
<b><u>FUND BALANCES</u></b>							
Fund balance, unreserved - Education	0	2,477	0	0	0	0	2,477
Fund balance, unreserved - General	4,139	0	110,018	30,137	4,486	8,863	157,643
Total fund balances	<u>4,139</u>	<u>2,477</u>	<u>110,018</u>	<u>30,137</u>	<u>4,486</u>	<u>8,863</u>	<u>160,120</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$4,139</u>	<u>\$38,954</u>	<u>\$110,018</u>	<u>\$30,137</u>	<u>\$35,839</u>	<u>\$8,863</u>	<u>\$227,950</u>

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

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>General Fund</u>	<u>Education</u>	<u>Institute</u>	<u>General Educational Development</u>	<u>Finger- Printing</u>	<u>Other Non-Major Funds</u>	<u>Total</u>
<b>REVENUES</b>							
Local revenues							
Teacher certificate fees	\$0	\$0	\$44,069	\$0	\$0	\$0	\$44,069
GED application fees	0	0	0	15,125	0	0	15,125
School bus permit and class fees	0	0	0	0	0	4,541	4,541
Fingerprinting fees	0	0	0	0	53,325	0	53,325
Intergovernmental	0	0	0	0	0	0	0
Interest income	42	211	1,245	399	288	130	2,315
Other	6,225	27,896	5,047	0	0	0	39,168
Total local revenues	6,267	28,107	50,361	15,524	53,613	4,671	158,543
State revenues	0	318,343	0	0	0	2,400	320,743
Federal revenues	0	252,970	0	0	0	0	252,970
On-behalf payments	197,119	0	0	0	0	0	197,119
Total revenues	<u>203,386</u>	<u>599,420</u>	<u>50,361</u>	<u>15,524</u>	<u>53,613</u>	<u>7,071</u>	<u>929,375</u>
<b>EXPENDITURES</b>							
Purchased services	1,400	41,977	28,524	11,633	49,127	6,836	139,497
Supplies and materials	339	10,478	590	3,850	0	48	15,305
Payments to other governments	932	561,351	5,402	0	0	1,508	569,193
On-behalf payments	197,119	0	0	0	0	0	197,119
Total expenditures	<u>199,790</u>	<u>613,806</u>	<u>34,516</u>	<u>15,483</u>	<u>49,127</u>	<u>8,392</u>	<u>921,114</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	3,596	(14,386)	15,845	41	4,486	(1,321)	8,261
<b>FUND BALANCE, UNRESERVED, BEGINNING OF YEAR</b>	<u>543</u>	<u>16,863</u>	<u>94,173</u>	<u>30,096</u>	<u>0</u>	<u>10,184</u>	<u>151,859</u>
<b>FUND BALANCE, UNRESERVED, END OF YEAR</b>	<u>\$4,139</u>	<u>\$2,477</u>	<u>\$110,018</u>	<u>\$30,137</u>	<u>\$4,486</u>	<u>\$8,863</u>	<u>\$160,120</u>

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

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**STATEMENT OF FIDUCIARY FUNDS -**  
**AGENCY FUNDS**  
**JUNE 30, 2005**

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	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash	\$ <u>77,056</u>
<b><u>LIABILITIES</u></b>	
Due to other governments	\$ <u>77,056</u>

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

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

**A. Reporting Entity**

The McHenry County Regional Office of Education No. 44 (ROE) was formed as a result of an Educational Service Region becoming a Regional Office of Education in August of 1995. The ROE operates under the School Code (105 ILCS 5/3 and 5/3A). Regional Office of Education No. 44 encompasses McHenry County in Illinois. A Regional Superintendent of Schools serves as chief administrative officer of the ROE and is elected pursuant to 105 ILCS 5/3 and 5/3A of the School Code. The ROE is designed to develop and maintain educational services for the school districts in McHenry County. Funds are distributed to McHenry County Regional Office of Education No. 44 by the Illinois State Board of Education, State categorical grants, and various other sources.

The following are other functions of McHenry County Regional Office of Education No. 44:

1. Processing teachers' certificates;
2. Processing bus drivers' certificates;
3. Maintaining a film library for all school districts;
4. Administering the General Educational Development examination; and
5. Processing fingerprinting.

The ROE's reporting entity includes all related organizations for which it exercises oversight responsibility.

The ROE has developed criteria to determine whether outside agencies with activities which benefit the citizens of the ROE's geographic responsibility, including joint agreements which serve pupils from numerous school districts, should be included within its financial entity. The criteria include but are not limited to, whether the ROE 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.

Certain joint agreements have been determined not to be 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 ROE does not control the assets, operations or management of the joint agreements. In addition, the ROE is not aware of any entity which would exercise such oversight as to result in the ROE being considered a component unit of the entity.

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the ROE. The effect of inter-fund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. 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.

The Statement of Net Assets presents information on all of McHenry County Regional Office of Education No 44's assets and liabilities, with the difference between the two reported as net assets. Net assets of the ROE are classified as Unrestricted Net Assets. Unrestricted Net Assets represent resources used for transactions relating to the general operations of the ROE and may be used at the discretion of management to meet expenses for any purpose.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

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

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

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The government reports the following major governmental funds:

**Major Governmental Funds**

**General Fund** – The General Fund is the ROE’s primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is used to account for various expenditures as approved. The ROE receives cost reimbursements from Cooperative for Employment Education and from member districts.

**Institute Fund** – The Institute Fund is used to account for the stewardship of the assets held in trust for the benefit of the teachers. Fees are collected from registration of teachers’ certificates of qualification. Monies are expended to conduct teachers’ institutes, conferences, and workshops.

**General Educational Development (GED) Fund** – The GED Fund is used to account for the administration of the General Educational Development Testing Program. Revenues are received from testing and diploma fees.

**Education Fund** – The Education Fund is used to account for the administration of various educational program and the following funds:

Title IV Community Service – The Title IV Community Service Fund is used to account for federal funds received to administer the Federal Community Service Grant Program.

Regional Safe Schools Program (RSSP) – The RSSP consists of federal and state funds received for the administration of the Regional Safe Schools Program (RSSP).

Regional Safe Schools Program - General State Aid (RSSP-GSA) – The RSSP-GSA consists of federal and state funds received for the administration of the Regional Safe Schools Program (RSSP).

Recycling Education – The Recycling Education is used to account for the administration of monies to be used for recycling and source reduction projects at the school districts.

**Fingerprinting Fund** – The Fingerprinting Fund is used to account for the administration of Fingerprinting Program. Revenues are received from member school districts and private entities.

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Non-Major Special Revenue Funds** – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts) that are legally restricted to expenditures for specified purposes. The ROE reports the following nonmajor special revenue funds:

**Board of School Trustees** – The Board of School Trustees Fund is used to account for the marketing and disposal of school properties belonging to local education agencies and for clearing of monies used for expenses related to detachment petitions.

**Transportation** – The Transportation Fund is used to account for the administration of the Bus Driver Training Program.

**Supervisory Expense** – The Supervisory Expense Fund is used to account for monies to be used for travel and other expenditures necessary to perform the duty of supervising the school districts under the ROE.

**Certificate Renewal** – The Certificate Renewal Fund is used to account for monies received for, and payment of, expenditures for certificate renewal. This fund was closed during fiscal year ended June 30, 2005.

**Searchsoft** – The Searchsoft Fund is used to account for monies received for, and payment of, expenditures for searchsoft program. Activity in the fund consists of interest earned.

**Fiduciary Funds**

**Agency Funds** – Agency Funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The ROE reports the following agency funds:

**Distributive** – The Distributive Fund is used to account for assets held as an agent for the Illinois State Board of Education.

**McHenry County Film Library** – The McHenry County Film Library Cooperative is composed of public school districts for the purpose of acquiring and maintaining a visual aids library. The cooperative is governed by a Board of Directors composed of school administrators. The Regional Superintendent is the Secretary-Treasurer and administrative agent of the McHenry County Film Library Cooperative.

**Cooperative for Employment Education** – The Cooperative for Employment Education Fund is used to account for assets held by the Superintendent, in an agency capacity, for a vocational program which provides instruction for individuals in need of special training.

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary System and Accounts**

The ROE did not adopt a formal budget nor is it legally required to do so for the year ended June 30, 2005; subsequently, the accompanying financial statements are not presented on a budgetary basis whereby budget and actual revenues and expenditures are compared; however, Illinois State Board of Education, a granting agent, requires budgets for certain program money. A budgetary comparison schedule is presented for the following Grant funds: Regional Safe Schools Program (RSSP) for the years ended June 30, 2005 and 2004, Regional Safe Schools Program - General State Aid (RSSP-GSA), and Title IV Community Service for the year ended June 30, 2005.

**E. Deposits**

Deposits are carried at cost plus accrued interest. The carrying amount of deposits is displayed on the balance sheet simply as cash and represents cash per bank adjusted for outstanding deposits and disbursements.

**F. Salaries and Expenses**

The salaries of the McHenry County Regional Superintendent of Schools and the Assistant Regional Superintendent are paid by the State of Illinois. All other employees are paid by the County of McHenry. All certified personnel participate in the Teachers' Retirement System of the State of Illinois and all other personnel participate in the Illinois Municipal Retirement Fund. All contributions to these retirement funds and all expenses of the office are also paid by the County of McHenry. Information about these retirement plans can be found in the financial statements of McHenry County.

**G. Intergovernmental Agreement**

On August 7, 1995, McHenry County Regional Office of Education No. 44 entered into an Intergovernmental Agreement executed pursuant to the provisions of the Intergovernmental Cooperation Clause of the Illinois Constitution as well as the provisions of the Intergovernmental Cooperation Act of 1973 and the Illinois Admin. Code Title 23 Section 525.110.

The name of the Educational Service delivery system formed is known as the Kishwaukee Intermediate Delivery System, (KIDS). Membership in KIDS is made up of the following Regional Offices of Education: Boone-Winnebago, DeKalb, and McHenry. The Boone-Winnebago Regional Office of Education has been designated as Administrative Agent.

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

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**NOTE 2 - DEPOSITS**

At June 30, 2005, the carrying amount of the Regional Office of Education No. 44's cash deposits was \$304,856 and the bank balance was \$372,369. Of the total bank balance, \$104,364 was secured by federal depository insurance and \$268,005 was collateralized with securities held by the pledging financial institution's trust department in the Regional Office of Education No 44's name.

**NOTE 3 – PENSIONS**

All employees are paid by McHenry County or the State of Illinois, therefore, no provision or funding for pension costs is required.

**NOTE 4 – CAPITAL ASSETS**

All capital assets are purchased by McHenry County; therefore there are no capital assets to report.

**NOTE 5 – DISTRIBUTIVE FUND INTEREST DISPOSITION**

Any interest earned on distributive fund earnings is appropriately allocated to member Districts per McHenry County Regional Office of Education No. 44 agreements with these member Districts.

**NOTE 6 – ON-BEHALF PAYMENTS**

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent were calculated based on data provided by the Illinois State Board of Education. A breakdown of the on-behalf payments for the Regional Superintendent and Assistant Regional Superintendent are as follows:

Regional Superintendent – salary	\$ 88,204
Regional Superintendent – benefits (Includes State paid insurance)	17,329
Assistant Regional Superintendent – salary	79,987
Assistant Regional Superintendent – benefits (Includes State paid insurance)	<u>11,599</u>
Total on-behalf payments	<u>\$197,119</u>

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

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**NOTE 7 – NEW GASB STATEMENTS**

The Governmental Accounting Standards Board (GASB) has issued statement No. 40, “*Deposit and Investment Risk Disclosures*”, effective for the Regional Office of Education No. 44’s fiscal year ending June 30, 2005. Statement 40 establishes additional disclosure requirements addressing common risks of investments. The Statement had no effect on the Regional Office of Education No. 44’s net assets or changes in net assets.

**NOTE 8 – DUE TO OTHER GOVERNMENTS**

The Regional Office of Education No. 44 is the trustee, or agent, for assets that belong to others or are designated to be used for a specific purpose. The Regional Office of Education No. 44 is responsible for ensuring that the assets reported in these funds are used only for their intended purpose and by those to whom the assets belong. At June 30, 2005, the Regional Office of Education No. 44 had amounts due to other governments as follows:

Distributive Fund	\$285
McHenry County Film Library	58,339
Cooperative for Employment Education	<u>18,432</u>
Total	\$77,056

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**COMBINING SCHEDULE OF ACCOUNTS**  
**EDUCATION FUND**  
**JUNE 30, 2005**

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	<b>Recycling Education</b>	<b>Title IV - Community Service</b>	<b>Regional Safe Schools Program (RSSP)</b>	<b>Regional Safe Schools Program - General State Aid (RSSP-GSA)</b>	<b>Total</b>
<b>ASSETS</b>					
Cash	\$38,954	\$0	\$0	\$0	\$38,954
 <b>LIABILITIES</b>					
Accounts payable	\$0	\$0	\$0	\$0	\$0
Deferred revenue	36,477	0	0	0	36,477
Total liabilities	36,477	0	0	0	36,477
 <b>FUND BALANCE</b>					
Fund balance, unreserved	2,477	0	0	0	2,477
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$38,954</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$38,954</b>

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**EDUCATION FUND ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Recycling Education</u>	<u>Title IV - Community Service</u>	<u>Regional Safe Schools Program (RSSP)</u>	<u>Regional Safe Schools Program - General State Aid (RSSP-GSA)</u>	<u>Total</u>
<b>REVENUES</b>					
Local revenues					
Donations	\$27,896	\$0	\$0	\$0	\$27,896
Intergovernmental	0	0	0	0	0
Interest income	207	4	0	0	211
State revenues	0	0	228,122	90,221	318,343
Federal revenues	0	10,161	224,765	18,044	252,970
Total revenues	<u>28,103</u>	<u>10,165</u>	<u>452,887</u>	<u>108,265</u>	<u>599,420</u>
<b>EXPENDITURES</b>					
Purchased services	38,977	3,000	0	0	41,977
Supplies and materials	3,317	7,161	0	0	10,478
Payments to other governments	195	4	452,887	108,265	561,351
Total expenditures	<u>42,489</u>	<u>10,165</u>	<u>452,887</u>	<u>108,265</u>	<u>613,806</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	(14,386)	0	0	0	(14,386)
<b>FUND BALANCE, UNRESERVED, BEGINNING OF YEAR</b>					
	<u>16,863</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,863</u>
<b>FUND BALANCE, UNRESERVED, END OF YEAR</b>					
	<u>\$2,477</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,477</u>

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**BUDGETARY COMPARISON SCHEDULES**  
**EDUCATION FUND ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Title IV - Community Service</u>			<u>2005 Regional Safe Schools Program (RSSP)</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>						
Local revenues						
Intergovernmental	\$0	\$0	\$0	\$0	\$0	\$0
Interest income	0	4	4	0	0	0
State revenues	0	0	0	293,299	228,122	(65,177)
Federal revenues	43,996	10,161	(33,835)	97,768	97,768	0
Total revenues	<u>43,996</u>	<u>10,165</u>	<u>(33,831)</u>	<u>391,067</u>	<u>325,890</u>	<u>(65,177)</u>
<b>EXPENDITURES</b>						
Salaries	845	0	845	0	0	0
Benefits	21	0	21	0	0	0
Purchased services	5,015	3,000	2,015	0	0	0
Supplies and materials	38,115	7,161	30,954	0	0	0
Payments to other governments	0	4	(4)	391,067	325,890	65,177
Total expenditures	<u>43,996</u>	<u>10,165</u>	<u>33,831</u>	<u>391,067</u>	<u>325,890</u>	<u>65,177</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$0</u>	0	<u>\$0</u>	<u>\$0</u>	0	<u>\$0</u>
<b>FUND BALANCE, UNRESERVED, BEGINNING OF YEAR</b>		<u>0</u>			<u>0</u>	
<b>FUND BALANCE, UNRESERVED, END OF YEAR</b>		<u>\$0</u>			<u>\$0</u>	

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**BUDGETARY COMPARISON SCHEDULES**  
**EDUCATION FUND ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Regional Safe Schools Program - General State Aid (RSSP-GSA)</u>			<u>2004 Regional Safe Schools Program (RSSP)</u>			<u>Totals</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>									
Local revenues									
Intergovernmental	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest income	0	0	0	0	0	0	0	4	4
State revenues	90,221	90,221	0	0	0	0	383,520	318,343	(65,177)
Federal revenues	18,044	18,044	0	379,196	126,997	(252,199)	539,004	252,970	(286,034)
Total revenues	<u>108,265</u>	<u>108,265</u>	<u>0</u>	<u>379,196</u>	<u>126,997</u>	<u>(252,199)</u>	<u>922,524</u>	<u>571,317</u>	<u>(351,207)</u>
<b>EXPENDITURES</b>									
Salaries	0	0	0	0	0	0	845	0	845
Benefits	0	0	0	0	0	0	21	0	21
Purchased services	0	0	0	0	0	0	5,015	3,000	2,015
Supplies and materials	0	0	0	0	0	0	38,115	7,161	30,954
Payments to other governments	108,265	108,265	0	379,196	126,997	252,199	878,528	561,156	317,372
Total expenditures	<u>108,265</u>	<u>108,265</u>	<u>0</u>	<u>379,196</u>	<u>126,997</u>	<u>252,199</u>	<u>922,524</u>	<u>571,317</u>	<u>351,207</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$0</u>	0	<u>\$0</u>	<u>\$0</u>	0	<u>\$0</u>	<u>\$0</u>	0	<u>\$0</u>
<b>FUND BALANCE, UNRESERVED, BEGINNING OF YEAR</b>		<u>0</u>			<u>0</u>			<u>0</u>	
<b>FUND BALANCE, UNRESERVED, END OF YEAR</b>		<u>\$0</u>			<u>\$0</u>			<u>\$0</u>	

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2005**

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	<u>Board of School Trustees</u>	<u>Transportation</u>	<u>Supervisory Expense</u>	<u>Certificate Renewal</u>	<u>Searchsoft</u>	<u>Total</u>
<b><u>ASSETS</u></b>						
Cash	<u>\$128</u>	<u>\$7,385</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,350</u>	<u>\$8,863</u>
 <b><u>FUND BALANCE</u></b>						
Fund balance, unreserved	<u>\$128</u>	<u>\$7,385</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,350</u>	<u>\$8,863</u>
TOTAL FUND BALANCE	<u>\$128</u>	<u>\$7,385</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,350</u>	<u>\$8,863</u>

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Board of School Trustees</u>	<u>Transportation</u>	<u>Supervisory Expense</u>	<u>Certificate Renewal</u>	<u>Searchsoft</u>	<u>Total</u>
<b>REVENUES</b>						
Local sources						
School bus permit and class fees	\$0	\$4,541	\$0	\$0	\$0	\$4,541
State sources	1,400	0	1,000	0	0	2,400
Federal sources	0	0	0	0	0	0
Interest	2	109	1	0	18	130
Total revenues	<u>1,402</u>	<u>4,650</u>	<u>1,001</u>	<u>0</u>	<u>18</u>	<u>7,071</u>
<b>EXPENDITURES</b>						
Purchased services	0	5,775	1,001	60	0	6,836
Supplies and materials	0	48	0	0	0	48
Payments to other governments	1,418	90	0	0	0	1,508
Total expenditures	<u>1,418</u>	<u>5,913</u>	<u>1,001</u>	<u>60</u>	<u>0</u>	<u>8,392</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16)	(1,263)	0	(60)	18	(1,321)
FUND BALANCE, UNRESERVED - BEGINNING OF YEAR	<u>144</u>	<u>8,648</u>	<u>0</u>	<u>60</u>	<u>1,332</u>	<u>10,184</u>
FUND BALANCE, UNRESERVED - END OF YEAR	<u>\$128</u>	<u>\$7,385</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,350</u>	<u>\$8,863</u>

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
**JUNE 30, 2005**

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	<u>Distributive Fund</u>	<u>McHenry County Film Library</u>	<u>Cooperative for Employment Education</u>	<u>Total</u>
<b>ASSETS</b>				
Cash	\$285	\$58,339	\$18,432	\$77,056
<b>LIABILITIES</b>				
Due to other governments	\$285	\$58,339	\$18,432	\$77,056

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**COMBINING STATEMENT OF CHANGES IN**  
**ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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	<b>Balance 7/1/2004</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/2005</b>
<b>DISTRIBUTIVE</b>				
<b>ASSETS</b>				
Cash	\$53	\$1,373,231	\$1,372,999	\$285
<b>LIABILITIES</b>				
Due to other governments	\$53	\$1,373,231	\$1,372,999	\$285
 <b>MCHENRY COUNTY FILM LIBRARY</b>				
<b>ASSETS</b>				
Cash	\$49,906	\$21,738	\$13,305	\$58,339
<b>LIABILITIES</b>				
Due to other governments	\$49,906	\$21,738	\$13,305	\$58,339
 <b>COOPERATIVE FOR EMPLOYMENT EDUCATION</b>				
<b>ASSETS</b>				
Cash	\$3,116	\$919,224	\$903,908	\$18,432
<b>LIABILITIES</b>				
Due to other governments	\$3,116	\$919,224	\$903,908	\$18,432
 <b>TOTAL ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash	\$53,075	\$2,314,193	\$2,290,212	\$77,056
<b>LIABILITIES</b>				
Due to other governments	\$53,075	\$2,314,193	\$2,290,212	\$77,056

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**SCHEDULE OF DISBURSEMENTS TO SCHOOL**  
**DISTRICT TREASURERS AND OTHER ENTITIES**  
**DISTRIBUTIVE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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<u>Program</u>	<u>McHenry County Co-op</u>	<u>Special Education District of McHenry (SEDOM)</u>	<u>Regional Office of Education No. 44</u>	<u>Totals</u>
General State Aid		\$108,265		\$108,265
Vocational Ed. - Agriculture Education	\$4,168			4,168
Vocational Ed. - Secondary Program Imp.	530,664			530,664
Vocational Ed. - Perkins Title IIC	274,326			274,326
IASA Title IV - Community Service			249	249
Alternative Education		452,887		452,887
Supervisory Expense			1,000	1,000
School Bus Driver Training			1,440	1,440
Totals	<u>\$809,158</u>	<u>\$561,152</u>	<u>\$2,689</u>	<u>\$1,372,999</u>

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended June 30, 2005**

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<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>7/01/2004 - 6/30/2005</b>
U.S. Department of Education passed through Illinois State Board of Education:			
Title IV - Community Service	84.184	04-4420-00	<u>\$10,161</u>
U.S. Department of Health and Human Services passed through Illinois State Board of Education:			
Regional Safe Schools Program (TANF) (M)	93.558	04-3696-00	126,997
Regional Safe Schools Program (TANF) (M)	93.558	05-3696-00	97,768
Regional Safe Schools Program - General State Aid (TANF) (M)	93.558	05-3001-93	<u>18,044</u>
			<u>\$242,809</u>
			<u><u>\$252,970</u></u>

(M) Program was audited as a major program

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2005**

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

**BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of McHenry County Regional Office of Education No. 44 and is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**NOTE 2 – SUBRECIPIENTS**

Of the federal expenditures presented in the schedule, McHenry County Regional Office of Education No. 44 provided Federal Awards to subrecipients during fiscal year ended June 30, 2005 as follows:

TO: Special Education District of McHenry County, Illinois (S.E.D.O.M.)

93.558	05-3696-00	Regional Safe Schools Program (RSSP)	\$ 97,768
93.558	04-3696-00	Regional Safe Schools Program (RSSP)	126,997
		Regional Safe Schools Program –	
93.558	05-3001-93	General State Aid (RSSP-GSA)	<u>18,044</u>
			<u>\$242,809</u>

**NOTE 3 – DESCRIPTION OF MAJOR FEDERAL PROGRAM**

The following federal programs were audited as major programs in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Regional Safe Schools Program:** This program is an alternative education program serving students in McHenry County that have been suspended at least twice for a period of 4 – 10 days for gross misconduct, recommended for expulsion by member school district administration to the local school board, arrested by police and/or remanded to the juvenile or criminal courts for acts related to school activities, or involved in misconduct which demonstrates a long term pattern which is severe, repetitive and/or cumulative and for which the District has exhausted its resources in unsuccessful remediation attempts.

**Regional Safe Schools Program – General State Aid:** General State Aid Funds for the above referenced program.

**McHENRY COUNTY REGIONAL OFFICE OF EDUCATION No. 44**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AWARDS (Continued)**  
**Year Ended June 30, 2005**

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**NOTE 4 – NON-CASH ASSISTANCE**

-NONE-

**NOTE 5 – AMOUNT OF INSURANCE**

-NONE-

**NOTE 6 – LOANS OR LOAN GUARANTEES OUTSTANDING**

-NONE-