

**State of Illinois
LASALLE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 35**

**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

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35

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LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35

OFFICIALS

Regional Superintendent
(current and during the audit period)

Mr. William G. Novotney

Assistant Regional Superintendent
(current and during the audit period)

Mr. Richard A. Myers

Office is located at:

119 West Madison Street, Room 102
Ottawa, Illinois 61350

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
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	3	1
Repeated audit findings	—	—
Prior recommendations implemented or not repeated	1	6

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Prior Finding Code</u>
		FINDINGS (GOVERNMENT AUDITING STANDARDS)	
05-1	12	Controls Over Compliance with Laws and Regulations	N/A
05-2	14	Bank Reconciliations Not Completed Properly	N/A
05-3	16	Inadequate Controls Over Cash Disbursements	N/A

FINDINGS AND QUESTIONED COSTS
(FEDERAL COMPLIANCE)
None

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
JUNE 30, 2005**

SUMMARY OF FINDINGS AND QUESTIONED COSTS (Continued)

		PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)
04-1	22	Noncompliance with State mandates

PRIOR FINDINGS NOT REPEATED
(FEDERAL COMPLIANCE)
None

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on December 5, 2005 held at the LaSalle County Regional Office of Education No. 35, 119 West Madison Street, Ottawa, Illinois 61350. Representing the ROE were William G. Novotney, Regional Superintendent, Cheryl Midnight and Susan Brockman, Bookkeepers. Representing E. C. Ortiz & Co., LLP were Stella B. Santos, Partner and Leilani N. Rodrigo, Manager. Responses to the recommendations were provided by William G. Novotney in a letter dated January 13, 2006.

Financial Presentation Examined

FINANCIAL STATEMENT REPORT

A financial statement audit consists of an audit of an agency's financial statements, including an examination of the underlying books and records, to determine whether those financial statements are fairly presented in accordance with generally accepted accounting principles.

The financial statement report is comprised of the following:

A Summary section providing a brief overview of the financial statement audit.

Auditors' Reports

- An Auditors' Reports section containing statements by the auditors on the scope and results of their audit, as required by applicable professional standards.

Findings and Recommendations

- A Findings & Recommendations section containing sequentially numbered findings in which the auditors note any instances of nonconformity by the agency with applicable laws, rules, regulations, grant agreements, and other standards governing its conduct that were found by the auditors in the course of their review. All findings are discussed with the agency officials during the post audit process.

Each finding generally contains: a description of the condition found; a recommendation by the auditors for corrective action; a response by the agency either accepting or rejecting the auditors' finding; and a description of the agency's plan for addressing the problem.

Financial Statements

- A Financial Statement section generally consisting of:
 - Management's discussion and analysis (MD&A) as required supplementary information;
 - Basic financial statements (entity-wide financial statements, fund financial statements, and notes to the financial statements);
 - Required supplementary information other than MD&A.

Additional financial statements may be presented for agencies with special reporting requirements.

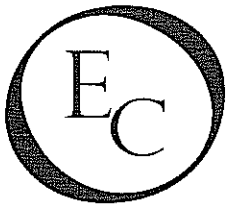
LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of the LaSalle County Regional Office of Education No. 35 was performed by E. C. Ortiz & Co., LLP.

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



INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LaSalle County Regional Office of Education No. 35, as of and for the year ended June 30, 2005, which collectively comprise the LaSalle County Regional Office of Education No. 35's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the LaSalle County Regional Office of Education No. 35'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 LaSalle County Regional Office of Education No. 35, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 21, 2005 on our consideration of the LaSalle County Regional Office of Education No. 35's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

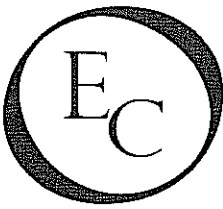
The Management's Discussion and Analysis and the Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 23 to 28 and page 58 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the

required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the LaSalle County Regional Office of Education No. 35'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.

D. C. G. F. J. & Co. LLP

Chicago, Illinois
November 21, 2005



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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the LaSalle County Regional Office of Education No. 35, as of and for the year ended June 30, 2005, which collectively comprise the LaSalle County Regional Office of Education No. 35's basic financial statements and have issued our report thereon dated November 21, 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 LaSalle County Regional Office of Education No. 35's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting which are required by the *Guidelines to Auditing and Reporting for a Regional Office of Education*, to be reported on the accompanying Schedule of Findings and Questioned Costs as items 05-2 and 05-3.

Compliance and Other Matters

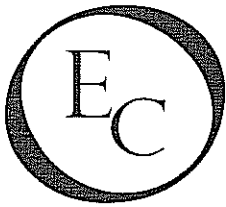
As part of obtaining reasonable assurance about whether the LaSalle County Regional Office of Education No. 35's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance

which is required by the *Guidelines to Auditing and Reporting for a Regional Office of Education*, to be reported on the accompanying Schedule of Findings and Questioned Costs as item 05-1.

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

E. C. Aziz & Co. LLP

Chicago, Illinois
November 21, 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 LaSalle County Regional Office of Education No. 35 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 LaSalle County Regional Office of Education No. 35'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 LaSalle County Regional Office of Education No. 35's management. Our responsibility is to express an opinion on the LaSalle County Regional Office of Education No. 35'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 LaSalle County Regional Office of Education No. 35'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 LaSalle County Regional Office of Education No. 35's compliance with the requirements.

In our opinion, the LaSalle County Regional Office of Education No. 35 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 LaSalle County Regional Office of Education No. 35 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 LaSalle County Regional Office of Education No. 35's internal control over compliance with requirements that could have a direct and material effect on a major federal program

in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 criteria as required by the *Guidelines to Auditing and Reporting for a Regional Office of Education*.

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

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

C. C. G. & C. LLP

Chicago, Illinois
November 21, 2005

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Part I: Summary of the Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.558	Regional Safe Schools - General State Aid (TANF)
84.357A	Title I - Reading First Part B SEA Funds
84.318X	Technology Enhancing Education - Competitive

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

Auditee qualified as low-risk auditee? X Yes _____ No

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Part II: Findings Related to the Financial Statements

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

Criteria/Specific Requirements:

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

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

Condition:

LaSalle County Regional Office of Education No. 35 is not examining all books, accounts, and vouchers of every school treasurer in its educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school districts in his region. In addition, the Regional Office gets a spreadsheet from the Illinois State Board of Education (ISBE) that outlines all of the school districts and their audit exceptions, if any. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

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

Effect:

The Regional Office of Education No. 35 did not comply with statutory requirements.

Cause:

LaSalle County Regional Office of Education No. 35 management stated that the procedures currently being performed are deemed sufficient to comply with this mandate.

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

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

Auditor's Recommendation:

The Regional Office of Education No. 35 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 21st century, all schools have multi-million dollar budgets that are: 1.) audited annually by professionally certified outside auditing firms; 2.) audits are filed for public record and inspection; and 3.) this is tracked through the process by the procedures mentioned above in the section titled "Condition". Requiring the ROE's to do another review would be redundant, costly, and require the hiring of teams of new staff members in each ROE to carry out the task. The latter begs the question of which level(s) of government would bear the cost to carry out this task and how costly might that be to reinstitute the practice?

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

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NO. 05-2 - Bank Reconciliations Not Completed Properly

Criteria/Specific Requirements:

Sound internal controls require bank reconciliations to be performed accurately and promptly. Reconciling items should be investigated immediately and adjustments made to the general ledger. Bank reconciliations should also be reviewed and approved by a person independent of the preparer.

Condition:

In our review of the bank reconciliations prepared for the distributive and payroll bank accounts, we noted the following:

- The bank reconciliations were prepared by the bookkeeper performing the disbursement functions of invoice processing, check preparation, custodian of blank checks and recording of cash receipts and disbursements, as well as the functions of collecting cash, depositing and recording of cash receipts. Bank reconciliations also did not indicate evidence of review and approval by a person independent of the preparer.
- Total outstanding checks in the bank reconciliations for two bank accounts did not agree with the total of the details of the outstanding checks and the differences remain unaccounted for as follows:

General Ledger Account No.	Outstanding Checks per Bank Reconciliation	Outstanding Checks per Check Details	Unreconciled Difference - Over (Under)
1011	\$ 679,793	\$ 679,247	\$ 546
1012	2,547	2,496	51
Total			\$ 597

- Interest income totaling \$413 on two certificates of deposit was not recorded as of June 30, 2005. The certificates were renewed on April 1, 2005.

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NO. 05-2 - Bank Reconciliations Not Completed Properly (Continued)

Effect:

Inaccurate bank reconciliations render this internal control procedure ineffective to detect irregularities and inaccuracies in the financial records. Also, delay in the identification and disposition of reconciling items causes the cash balances to be inaccurate. Without a review of the monthly reconciliation by a person independent of the preparer, and given the limited segregation of duties, irregularities and inaccuracies in the bank reconciliations and financial records as well as improper and unauthorized cash transactions may not be detected timely or may remain undetected.

Cause:

According to ROE officials, the exceptions noted were due to lack of staff. In addition, the staff preparing the bank reconciliations focused on monitoring clearance of checks and receipts and overlooked the discrepancies and recording of the reconciling items.

Auditors' Recommendation:

The LaSalle Regional Office of Education No. 35 should prepare monthly bank reconciliations accurately and dispose of reconciling items promptly. Bank reconciliations should also be reviewed for accuracy and approved by a person independent of the preparer.

Management's Response:

The Regional Office of Education will prepare its monthly bank reconciliation and dispose of reconciling items on a timely basis. In addition, the bank reconciliation will be reviewed by another individual (Bookkeeper) to correct this problem.

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NO. 05-3 - Inadequate Controls Over Cash Disbursements

Criteria/Specific Requirements:

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

Sound internal control also requires that reimbursements are timely, properly approved and properly recorded to the appropriate account and advances are liquidated within reasonable time periods. Prudent business practice dictates that reimbursements should be reviewed by management in a timely manner to enhance the quality of the review.

Condition:

During our testing of disbursements and expenditures, we noted the following:

- Consulting fees amounting to \$1,488 were charged as travel expenses instead of professional services.
- Duplicate payment of phone charges of \$50 was made for December 2004. The duplicate payment was subsequently refunded by the employee.
- Expense reimbursements totaling \$5,405 were submitted one to nine months from the dates incurred. In addition, the reimbursements included sales taxes of \$123.

Effect:

The exception resulted in the following:

- Travel expenses were overstated and professional service expenses were understated by \$1,488.
- Expenditures were overstated by the overpayment of \$50 and the sales taxes of \$123.

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NO. 05-3 - Inadequate Controls Over Cash Disbursements (Continued)

Failure to submit and perform timely reviews of expense reimbursements increases the potential for errors and delays the recognition of expenditures in the accounting records.

Cause:

According to ROE officials, errors in account coding as well as the overpayments were due to oversight. The delay in the submission of expense reimbursements was due to employees and contractors attempting to accumulate a number of smaller reimbursements for submission at once.

Auditors' Recommendation:

LaSalle County Regional Office of Education No. 35 should strengthen its controls to ensure that expenditure vouchers are reviewed for accuracy of coding and fund classification as well as for propriety of charges. In addition, the ROE should establish a policy for the timely submission of travel expenses and emphasize the importance of compliance with the policy.

Management's Response:

The Regional Office of Education has initiated a policy that notified all staff that sales tax will not be reimbursed over one dollar (\$1.00) amount. We will strengthen our control over these procedures. This will be accomplished immediately.

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Part III: Findings and Questioned Costs for Federal Awards

Instances of Noncompliance

None

Reportable Conditions:

None

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
JUNE 30, 2005**

FINDING NO. 05-1 - Noncompliance with State Mandates

Condition:

LaSalle County Regional Office of Education No. 35 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.

Plan:

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

Anticipated Completion Date:

As soon as practical.

Name of Contact Person:

William G. Novotney, Regional Superintendent

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
JUNE 30, 2005**

FINDING NO. 05-2 - Bank Reconciliations Not Completed Properly

Condition:

In our review of the bank reconciliations prepared for the distributive and payroll bank accounts, we noted the following:

- The bank reconciliations were prepared by the bookkeeper performing the disbursement functions of invoice processing, check preparation, custodian of blank checks and recording of cash receipts and disbursements, as well as the functions of collecting cash, depositing and recording of cash receipts. Bank reconciliations also did not indicate evidence of review and approval by a person independent of the preparer.
- Total outstanding checks in the bank reconciliations for two bank accounts did not agree with the total of the details of the outstanding checks and the differences remain unaccounted for as follows:

General Ledger Account No.	Outstanding Checks per Bank Reconciliation	Outstanding Checks per Check Details	Unreconciled Difference - Over (Under)
1011	\$ 679,793	\$ 679,247	\$ 546
1012	2,547	2,496	51
Total			\$ 597

- Interest income totaling \$413 on two certificates of deposit was not recorded as of June 30, 2005. The certificates were renewed on April 1, 2005.

Plan:

Starting on a new computer accounting system, the Regional Office of Education will prepare its monthly bank reconciliation and dispose of reconciling items on a timely basis. In addition, the bank reconciliation will be reviewed by another individual (Bookkeeper).

Anticipated Completion Date:

June 30, 2006

Name of Contact Person:

Cheryl Midnight, Bookkeeper

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
JUNE 30, 2005**

FINDING NO. 05-3 - Inadequate Controls Over Cash Disbursements

Condition:

During our testing of disbursements and expenditures, we noted the following:

- Consulting fees amounting to \$1,488 were charged as travel expenses instead of professional services.
- Duplicate payment of phone charges of \$50 was made for December 2004. The duplicate payment was subsequently refunded by the employee.
- Expense reimbursements totaling \$5,405 were submitted one to nine months from the dates incurred. In addition, the reimbursements included sales taxes of \$123.

Plan:

The Regional Office of Education has initiated a policy that notified all staff that sales tax will not be reimbursed over one dollar (\$1.00) amount. We will strengthen our control over these procedures.

Anticipated Completion Date:

Started immediately - October, 2005.

Name of Contact Person:

Cheryl Midnight, Bookkeeper

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
04-1	Noncompliance with State Mandates	Resolved

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

The Regional Office of Education No. 35 for LaSalle County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2005 with comparative information for the year ended June 30, 2004. Readers are encouraged to consider the information in conjunction with the Regional Office's financial statements that follow.

2005 Financial Highlights

- Within the Governmental Funds, the General Fund revenues decreased by \$59,118 (13%) from \$458,925 in FY 2004 to \$399,807 in FY 2005. General Fund expenditures decreased by \$52,174 (11%) from \$462,805 in FY 2004 to \$410,631 in FY 2005.
- Within the Governmental Funds, the Special Revenue Fund revenues increased by \$91,213 (9%) from \$1,044,692 in FY 2004 to \$1,135,905 in FY 2005. The Special Revenue Fund expenditures increased by \$58,222 (5%) from \$1,062,596 in FY 2004 to \$1,120,818 in FY 2005.
- The Enterprise Fund revenues increased by \$231,246 (74%) from \$313,211 in FY 2004 to \$544,457 in FY 2005. The Enterprise Fund expenditures increased by \$226,701 (67%) from \$339,854 in FY 2004 to \$566,555 in FY 2005.

Using This Report

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

- *Management's Discussion and Analysis* introduces financial statements and provides an analytical overview of the Regional Office's financial activities.
- The *Government-wide financial statements* consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Regional Office of Education as a whole and present an overall view of the Office's finances.
- *Fund financial statements* report the Regional Office's operations in more detail than the government-wide statements by providing information about the most significant funds.
- *Notes to the financial statements* provide additional information that is needed for a full understanding of the data provided in the basic financial statements.
- *Required supplementary information* further explains and supports the financial statements and supplementary information provides detailed information about the non-major funds.

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

Overview of the Financial Statements

It is important to note, that many grants are a cooperative effort of the LaSalle County Regional Office of Education and the Marshall/Putnam/Woodford Regional Office of Education. Therefore, these figures may reflect grants that are intended to serve LaSalle County only and grants that serve LaSalle, Marshall, Putnam and Woodford Counties.

Government-wide Financial Statements

The Government-wide statements report information about the Regional Office of Education No. 35 as a whole. The Statement of Net Assets includes all of the assets and liabilities, with the difference reported as *net assets*. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid using Generally Accepted Accounting Principles and GASB 34.

The Government-wide statements report the Office's net assets and how they have changed. Net assets - the difference between assets and liabilities - are one way to measure the ROE's financial condition.

- Over time, increases or decreases in the net assets can be an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Regional Office's overall financial condition, additional non-financial factors, such as new laws, rules, regulations, and actions by officials at the state level need to be considered.

Fund Financial Statements

The fund financial statements provide detailed information about the Regional Office's funds. Funds are accounting devices that allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by state law. The Regional Office of Education No. 35 established other funds to control and manage money for particular purposes.

The Office has three kinds of funds:

- (1) Governmental funds account for those funds through which most governmental functions of the Office are financed. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at the year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Office's programs. The Office's Governmental Funds include: the General Fund and the Special Revenue Fund.

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

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

- (2) Proprietary funds account for resources from fees charged directly to those entities or individuals that use its services. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by government-wide financial statements but with more detail for major and non-major enterprise funds. The proprietary funds required financial statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.
- (3) Fiduciary funds are used to account for assets held by the Regional Office of Education No. 35 in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds required financial statements include a Statement of Fiduciary Net Assets.

Government-Wide Financial Analysis as a Whole

As noted earlier, net assets may serve when examined over time as one indicator of the financial position of the Regional Office. The net assets at the end of FY 2005 totaled approximately \$1,521,951. At the end of FY 2004, the net assets were approximately \$1,542,499. The analysis that follows provides a summary of the Office's net assets as of June 30, 2005.

CONDENSED STATEMENT OF NET ASSETS

	<u>2005</u>	<u>2004</u>
Current assets	\$ 1,674,091	\$ 1,590,964
Capital assets, net of depreciation	9,419	12,132
Total assets	<u>1,683,510</u>	<u>1,603,096</u>
Current liabilities	161,559	60,597
Total liabilities	<u>161,559</u>	<u>60,597</u>
Net assets:		
Invested in capital assets, net of related debt	9,419	12,132
Unrestricted	1,512,532	1,530,367
Total net assets	<u>\$ 1,521,951</u>	<u>\$ 1,542,499</u>

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

The Regional Office of Education's net assets decreased by \$20,548 (1%) from FY 2004. The decrease occurred primarily in the Governmental Fund as a result of grant reductions.

CHANGES IN NET ASSETS

	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 561,105	\$ 316,367
Operating grants and contributions	1,082,833	1,022,193
General revenues		
On-behalf payments	251,955	255,958
State sources	131,776	187,533
Fees and interest income	52,500	34,777
Total revenues	<u>2,080,169</u>	<u>1,816,828</u>
Expenses:		
Program expenses:		
Instructional services	1,282,207	1,259,174
Professional development	566,555	338,854
Administrative	251,955	255,958
Total expenses	<u>2,100,717</u>	<u>1,853,986</u>
Change in net assets	(20,548)	(37,518)
Net assets beginning of year	<u>1,542,499</u>	<u>1,579,657</u>
Net assets end of year	<u>\$ 1,521,951</u>	<u>\$ 1,542,499</u>

Governmental Fund Activities

Revenues for governmental fund activities were \$1,535,712 and expenditures were \$1,531,449. Some grants increased while others decreased or were not funded in FY 2005. The General State Aid increased by \$51,439 due to the increase in the state funding level per student. The Title II - Teacher Quality increased by \$3,930 due to the increase in the number of students in the program. Title I - Reading First Part B SEA Funds increased by \$20,039 in relation to the State's reading initiative program. The System of Support increased by \$39,447 due to having more schools on the academic watch list and the need to provide services to these schools. Expenses were proportionally increased or decreased to meet the funding level.

Financial Analysis of the Regional Office of Education No. 35 Funds

As previously noted, the Regional Office of Education No. 35 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The ROE's Governmental Funds reported combined fund balances of \$807,071.

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

Governmental Fund Highlights

- School services suffered a 13% (\$21,318) reduction in dollars received when compared to FY 2004. Increased enterprise revenues helped to blunt the reduction in support.
- The dollar return on investments (certificate of deposit, short-term investments and interest earned on a float), were reduced because of the low interest rates. In order to provide services budgeted for the Direct Service Budget, certain investments had to be used.
- County support for the Regional Office of Education No. 35 remained at level funding.
- There was an increase in the state aid foundation level to \$4,964 per student from \$4,810. This helped to off-set the reduction in the grant dollars provided for the Safe Schools Program.

Proprietary Fund Highlights

Total proprietary fund net assets decreased by \$25,855 (4%). The increase in the proprietary funds revenues and expenses is due to increase in workshop activities.

Fiduciary Fund Highlights

There was an increase of \$975 (364%) in total fiduciary funds for FY 2005. Transactions during FY 2005 represent mainly transfers in and out of funds for the Distributive Fund.

Budgetary Highlights

The Regional Office of Education No. 35 annually prepares budgets for several funds which serve as a guideline for activities and expenditures. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the County Board for their approval. The Office Operations Budget covers a fiscal year which runs from December 1 to November 30. All grant budgets are prepared by the Regional Office of Education No. 35 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency. Additionally, all Regional Office of Education funds are reported to the Advisory Board.

Capital Assets

Regional Office of Education No. 35's capital assets include office equipment, computers, audio-visual equipment, and office furniture. The Regional Office of Education No. 35 maintains an inventory of capital assets which have been accumulated over time. For FY 2005 there were no additions or retirements. Depreciation expense for the FY 2005 was \$2,713.

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

Economic Factors and Next Years' Budget

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

- The interest rate on investments remains low and will impact interest earned.
- Most grants have remained near or at previous levels. However, the School Services grant has again been reduced 4% (\$4,908) compared to FY 2004. It is important to understand that this reduction in School Services dollars have not resulted in a reduction of required initiatives. On the contrary, there has been an increase in required initiatives.
- County Board support for Regional Office of Education No. 35 will remain level.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the Regional Offices' citizens, taxpayers, clients, and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the Regional Office of Education No. 35 at 119 W. Madison St., Room No.102, Ottawa, IL. 61350.

BASIC FINANCIAL STATEMENTS

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 STATEMENT OF NET ASSETS
 JUNE 30, 2005

EXHIBIT A

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash	\$ 862,334	\$ 784,984	\$ 1,647,318
Accounts receivable	11,672	15,101	26,773
Total current assets	<u>874,006</u>	<u>800,085</u>	<u>1,674,091</u>
Noncurrent assets			
Capital assets, net	<u>9,419</u>	<u>-</u>	<u>9,419</u>
TOTAL ASSETS	<u>883,425</u>	<u>800,085</u>	<u>1,683,510</u>
LIABILITIES			
Accounts payable	13,028	67,309	80,337
Deferred revenues	<u>53,907</u>	<u>27,315</u>	<u>81,222</u>
TOTAL LIABILITIES	<u>66,935</u>	<u>94,624</u>	<u>161,559</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,419	-	9,419
Unrestricted	<u>807,071</u>	<u>705,461</u>	<u>1,512,532</u>
TOTAL NET ASSETS	<u>\$ 816,490</u>	<u>\$ 705,461</u>	<u>\$ 1,521,951</u>

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

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2005

EXHIBIT C

	General Fund	Education Fund	Institute Fund	Other Non-Major Fund	Total Governmental Funds
ASSETS					
Cash	\$ 343,514	\$ 364,782	\$ 109,845	\$ 44,193	\$ 862,334
Accounts receivable	4,374	5,728	808	762	11,672
TOTAL ASSETS	347,888	370,510	110,653	44,955	874,006
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	43	12,606	49	330	13,028
Deferred revenues	-	53,907	-	-	53,907
Total liabilities	43	66,513	49	330	66,935
FUND BALANCES					
Unreserved, reported in:					
General fund	347,845	-	-	-	347,845
Special revenue funds	-	303,997	110,604	44,625	459,226
Total fund balances	347,845	303,997	110,604	44,625	807,071
TOTAL LIABILITIES AND FUND BALANCES	\$ 347,888	\$ 370,510	\$ 110,653	\$ 44,955	\$ 874,006

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

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

EXHIBIT D

Total fund balances - governmental funds	\$ 807,071
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>9,419</u>
Net assets of governmental activities	<u><u>\$ 816,490</u></u>

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

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Education Fund	Institute Fund	Other Non-Major Fund	Total Governmental Funds
REVENUES					
Federal sources	\$ -	\$ 373,440	\$ -	\$ -	\$ 373,440
State sources	131,776	693,746	-	2,640	828,162
Local sources					
Fees	5,326	33,296	17,797	9,705	66,124
Interest	10,750	2,798	2,250	233	16,031
On-behalf payments	251,955	-	-	-	251,955
Total revenues	399,807	1,103,280	20,047	12,578	1,535,712
EXPENDITURES					
Salaries	63,894	606,570	9,922	2,647	683,033
Benefits	22,849	109,557	1,630	129	134,165
Purchased services	46,473	175,073	21,065	7,318	249,929
Supplies and materials	13,750	116,315	67	2,708	132,840
Capital Outlay	-	28,826	-	-	28,826
Miscellaneous	5,801	2,013	14	204	8,032
Payments to other governmental units	5,909	32,012	4,748	-	42,669
On-behalf payments	251,955	-	-	-	251,955
Total expenditures	410,631	1,070,366	37,446	13,006	1,531,449
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10,824)	32,914	(17,399)	(428)	4,263
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	4,608	(851)	-	-	3,757
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(6,216)	32,063	(17,399)	(428)	8,020
FUND BALANCES, JULY 1, 2004	354,061	271,934	128,003	45,053	799,051
FUND BALANCES, JUNE 30, 2005	\$ 347,845	\$ 303,997	\$ 110,604	\$ 44,625	\$ 807,071

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

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005**

EXHIBIT F

Net change in fund balances	\$	8,020
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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		-
Depreciation expense		<u>(2,713)</u>

Change in net assets of governmental activities	\$	<u><u>5,307</u></u>
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The notes to the financial statements are an integral part of this statement.

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2005

EXHIBIT G

	<u>Business Type Activities - Enterprise Funds</u>			<u>Total</u>
	<u>Raising Achievement</u>	<u>Workshop</u>	<u>Other Non-Major Funds</u>	
ASSETS				
Cash	\$ 141,954	\$ 571,741	\$ 71,289	\$ 784,984
Accounts receivable	-	5,100	10,001	15,101
TOTAL ASSETS	<u>141,954</u>	<u>576,841</u>	<u>81,290</u>	<u>800,085</u>
LIABILITIES				
Accounts payable	1,387	47,038	18,884	67,309
Deferred revenues	8,050	16,865	2,400	27,315
TOTAL LIABILITIES	<u>9,437</u>	<u>63,903</u>	<u>21,284</u>	<u>94,624</u>
NET ASSETS				
Unrestricted	<u>132,517</u>	<u>512,938</u>	<u>60,006</u>	<u>705,461</u>
TOTAL NET ASSETS	<u>\$ 132,517</u>	<u>\$ 512,938</u>	<u>\$ 60,006</u>	<u>\$ 705,461</u>

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

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

EXHIBIT H

	Business Type Activities - Enterprise Funds			Total
	Raising Achievement	Workshop	Other Non- Major Funds	
OPERATING REVENUES				
Local sources	\$ 266,605	\$ 158,118	\$ 106,388	\$ 531,111
OPERATING EXPENSES				
Salaries	18,339	40,135	50,112	108,586
Benefits	1,886	16,305	2,535	20,726
Purchased services	189,821	141,032	40,171	371,024
Supplies and materials	13,057	21,938	13,425	48,420
Miscellaneous	47	1,357	245	1,649
Payments to other governmental units	1,061	15,089	-	16,150
Total operating expenses	224,211	235,856	106,488	566,555
OPERATING INCOME (LOSS)	42,394	(77,738)	(100)	(35,444)
NONOPERATING REVENUES				
Interest	1,098	11,593	655	13,346
INCOME (LOSS) BEFORE TRANSFERS	43,492	(66,145)	555	(22,098)
TRANSFERS OUT	-	-	(3,757)	(3,757)
CHANGE IN NET ASSETS	43,492	(66,145)	(3,202)	(25,855)
TOTAL NET ASSETS, July 1, 2004	89,025	579,083	63,208	731,316
TOTAL NET ASSETS, June 30, 2005	\$ 132,517	\$ 512,938	\$ 60,006	\$ 705,461

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

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

EXHIBIT I

	Business Type Activities - Enterprise Funds			Total
	Raising Achievement	Workshop	Other Non-Major Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts for workshops and services	\$ 258,070	\$ 157,693	\$ 96,387	\$ 512,150
Payments to employees	(18,339)	(40,135)	(50,112)	(108,586)
Payments to suppliers	(204,485)	(163,034)	(36,498)	(404,017)
Net cash provided by (used in) operating activities	35,246	(45,476)	9,777	(453)
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITY:				
Transfers out	-	-	(3,757)	(3,757)
Net cash used in non capital financing activity	-	-	(3,757)	(3,757)
CASH FLOWS FROM INVESTING ACTIVITY:				
Interest	1,098	11,593	655	13,346
Net cash provided by investment activity	1,098	11,593	655	13,346
NET INCREASE (DECREASE) IN CASH	36,344	(33,883)	6,675	9,136
CASH, July 1, 2004	105,610	605,624	64,614	775,848
CASH, June 30, 2005	\$ 141,954	\$ 571,741	\$ 71,289	\$ 784,984
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 42,394	\$ (77,738)	\$ (100)	\$ (35,444)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Effects of changes in assets and liabilities:				
Accounts receivable	-	1,485	(10,001)	(8,516)
Accounts payable	1,387	32,687	19,878	53,952
Deferred revenues	(8,535)	(1,910)	-	(10,445)
Net cash provided by (used in) operating activities	\$ 35,246	\$ (45,476)	\$ 9,777	\$ (453)

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

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
JUNE 30, 2005

EXHIBIT J

	<u>Balance</u> <u>June 30, 2005</u>
ASSETS	
Cash	<u>\$ 1,243</u>
LIABILITIES	
Distributives payable	1,232
Due to other government	<u>11</u>
Total liabilities	<u>\$ 1,243</u>

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

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The LaSalle County Regional Office of Education No. 35 operates under the School Code (105 ILCS 5/3 and 5/3A). The LaSalle County Regional Office of Education No. 35 encompasses LaSalle County, Illinois. A Regional Superintendent of Schools serves as Chief Administrative Officer of the Region and is elected pursuant to 105 ILCS 5/3 and 5/3A of the School Code. The principal financial duty of the Regional Superintendent is to receive and distribute monies due to school districts from general State aid, State categorical grants, and various other sources.

The LaSalle County Regional Office of Education No. 35's accounting policies conform to generally accepted accounting principles which are appropriate to local governmental agencies of this type.

A. Reporting Entity

The LaSalle County Regional Office of Education No. 35's reporting entity includes all related organizations for which the LaSalle County Regional Office of Education No. 35 exercises oversight responsibility. The LaSalle County Regional Office of Education No. 35 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the LaSalle County Regional Office of Education No. 35, including joint agreements which serve pupils from numerous school districts, should be included within its financial reporting entity. The criteria include but are not limited to, whether the LaSalle County Regional Office of Education No. 35 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

Blended Component Units

The following component units are entities which are legally separate from the LaSalle County Regional Office of Education No. 35, but are so intertwined with the LaSalle County Regional Office of Education No. 35 that they are, in substance, the same as the LaSalle County Regional Office of Education No. 35. They are reported as part of the LaSalle County Regional Office of Education No. 35 and blended into the appropriate funds.

A joint agreement (LaSalle County Video Coop) has been determined to be part of the reporting entity after applying the manifesting of oversight, scope of public service and special financing relationships criteria. The LaSalle County Regional Office of Education No. 35 does not control the assets, operations or management of the joint agreement. The LaSalle County Video Coop is reported as an Enterprise Fund.

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

On July 1, 1998, the LaSalle County Regional Office of Education No. 35 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 525.110 to form an educational service delivery system. The name of the educational service delivery system formed is known as the LaSalle County - Putnam, Marshall, Woodford County Service Delivery System. The Service Delivery System is responsible for the administration and performance of accounting procedures that conform to all applicable rules and regulations of the Illinois State Board of Education. The LaSalle County Regional Office of Education No. 35 was designated as Administrative Agent and Director.

The following grants to LaSalle County Regional Office of Education No. 35 and Marshall-Putnam-Woodford Regional Office of Education No. 43 were assigned to the LaSalle, Marshall, Putnam, and Woodford Counties Service Delivery System: ROE/ISC Operations, Title II - Teacher Quality, Truants Alternative Program, ROE/ISC Technology, and McKinney Education for the Homeless. These grants are reported as General Funds and Special Revenue Funds.

The LaSalle County Regional Office of Education No. 35 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.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between those activities of the ROE that are governmental in nature and those that are considered business-type activities. *Governmental activities* normally are supported by operating grants and contributions, charges for services and intergovernmental revenues. *Business-type activities* normally are supported by amounts assessed or received from local sources for the ROE programs.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to 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

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revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

Certain 2004 amounts have been reclassified to conform to the 2005 presentation. Criminal Background Investigation fund activities have been classified and reported in prior years as general fund and are currently classified and reported as proprietary funds.

C. Change in Accounting Principles

Effective July 1, 2004, the LaSalle County Regional Office of Education No. 35 adopted GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, an amendment of GASB Statement No. 3. This new standard enhances the deposit and investment risk disclosures by updating the custodial credit risk disclosure requirements of GASB Statement No. 3 and addressing other common risks, including concentration of credit risk, interest rate risk and foreign currency risk. The implementation did not have a significant impact on the LaSalle County Regional Office of Education No. 35's financial statements.

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

The financial statements of LaSalle County Regional Office of Education No. 35 are prepared in accordance with generally accepted accounting principles (GAAP). The LaSalle County Regional Office of Education No. 35 applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

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liabilities of the current period. LaSalle County Regional Office of Education No. 35 considers revenues as available if they are collected within 60 days after year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

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

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

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

LaSalle County Regional Office of Education No. 35 records on-behalf payments made by the State to the Teachers' Retirement System as revenues and expenditures.

E. Fund Accounting

The accounts of the LaSalle County Regional Office of Education No. 35 are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. The LaSalle County Regional Office of Education No. 35 maintains individual funds as required by the State of Illinois. The resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following summarizes the fund types used:

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Governmental Fund Types

Governmental Funds are those through which most governmental functions of the Region are financed. The acquisition, use and balances of the LaSalle County Regional Office of Education No. 35's expendable financial resources and the related liabilities are accounted for through governmental funds.

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

General - to account for the general operating fund. It has been used to record expenditures in connection with general administration activities.

ROE/ISC Operations - to account for grant monies received for, and payment of, assisting schools in all areas of school improvement.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. LaSalle County Regional Office of Education No. 35 reported the following special revenue funds as major governmental funds.

Institute - to account for the stewardship of the assets held in trust for the benefit of teachers. Fees are collected from registration of teachers' certificates of qualification. Monies are expended to conduct teachers' institutes, conferences, and workshops.

Education - to account for State and Federal grant monies received for, and payment of, administering numerous grant awards which include:

McKinney Education for Homeless Children - to account for the administration of monies to be used for tutoring students who are considered to be at-risk.

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

Truants Alternative Program - to account for grant monies received for, and payment of, providing truancy prevention programming and monitoring truants.

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General State Aid - to account for the administration of monies to be used for the General State Aid program.

Education Technology Coop - to account for the administration of monies to be used for the Technology Coop program.

Technology Enhancing Education - Competitive - to account for the administration of monies to be used for the Technical Matters program.

Title II - Teacher Quality (from schools) - to account for the administration of monies from various local schools to be used for the Title II - Teacher Quality programs.

Kishwaukee Intermediate Delivery System (KIDS) Standards Project Schools - to account for the administration of monies to be used for the KIDS Standards Project Schools program.

Learning Technology Center - to account for monies from the State of Illinois for expenditures incurred to establish a statewide support system for learning technology.

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

System of Support - to account for grant monies received for, and payment of, expenditures to help schools meet No Child Left Behind initiative.

Para-professional - to account for grant monies received for, and payment of, expenditures for Paraprofessional.

National School Lunch Program - to account for the proceeds received and expenses of the program for the national school lunch fund.

Other Non-Major Funds - The LaSalle County Regional Office of Education No. 35 reported the following special revenue funds as non-major governmental funds:

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General Educational Development (GED) - to account for the administration of the GED Testing Program. Revenues are received from testing and diploma fees.

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

Supervisory - to account for monies from the State of Illinois for expenditures incurred while providing supervisory services in the region.

Annexation and Sales Petition - to account for fees collected for expenditures incurred in publishing and filing petition requests.

Hazard Safety Reimbursement - to account for monies from the State of Illinois for expenditures incurred in the Hazard Safety program.

Network for Information (NFI) - to account for monies received for, and payment of, expenditures for workshops for technical staff.

Counselors Academy - to account for monies from the Illinois Valley Education-to-Careers to support counselor development.

Standards-Aligned Classroom Project - to account for monies from the State of Illinois for expenditures incurred to create and support ongoing learning teams focused on alignment of classroom level assessment and instruction.

Math Contract - to account for grant monies received for, and payment of, expenditures for workshops.

Proprietary Fund Types

Proprietary funds are used to account for a government's ongoing organizations and activities that are similar to those often found in the private sector. All assets, liabilities, net assets, revenues, expenses, and transfers relating to the government's business activities in which changes in net assets or cost recovery are measured, are accounted for through proprietary funds (enterprise and internal service funds). Generally accepted accounting principles for proprietary funds are similar to those applicable to businesses in the private sector; the measurement focus is on determining operating income, financial position, and cash flows.

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Enterprise Funds - to account for resources from fees charged directly to those entities or individuals that use its services. The LaSalle County Regional Office of Education No. 35 reported the following enterprise funds as major proprietary funds.

Raising Achievement - to account for the fees and local revenues received and related disbursements while performing activities for Raising Achievement workshop program.

Workshop - to account for local revenues and disbursements related to various workshops conducted by the LaSalle County Regional Office of Education No. 35 which are not accounted for in a separate fund.

Other Non-Major Funds - The LaSalle County Regional Office of Education No. 35 reported the following enterprise funds as non-major proprietary funds:

Video Coop - to account for maintenance of a video cooperative for the benefit of the Regional Office's various school districts.

LaSalle County Area Purchasing Cooperative - to account for maintenance of cooperative purchasing program for the benefit of the LaSalle County Regional Office of Education No. 35's various school districts.

American College Testing Student Fees - to account for the fees and local revenues received and related disbursements for the ACT program which is designed to assess high school students' general educational development and their ability to complete college-level work.

Excellence in Education - to account for the fees and local revenues received and related disbursements while performing activities related to the Excellence in Education program.

Technology Local Fees - to account for interest earned on Technology funds.

Tech Workbooks - to account for local revenues received for Technology Workbooks program through the North Central Regional Educational Laboratory (NCREL). The NCREL provides high-quality research-based resources to educators and policymakers in the states of Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio and Wisconsin.

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Administrator's Academy - to account for the fees and local revenues received and related disbursements while performing activities for the Administrator's Academy.

Discovery Unitedstreaming Coop - to account for local revenues received for the digital video-on-demand service by Discovery Education.

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

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held by the LaSalle County Regional Office of Education No. 35 in a trustee capacity or as an agent for individuals, private organizations, and/or other governments.

Agency Funds are custodial in nature and do not involve measurement of results of operations. The amounts due to school districts and due to other governments are equal to the assets. Agency Funds include Distributive and Payroll.

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

Payroll - Accounts for all payroll that is incurred. Any fund that has payroll remits the money to the Payroll Fund, the Fund then pays the employee. This is an administrating agent for the ROE's payroll.

F. Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the ROE receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the

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year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the ROE must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the ROE on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

G. Cash and Cash Equivalents

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

H. Capital Assets

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

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

I. Net Assets

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

Invested in Capital Assets - represent the ROE's total investment in capital assets. There is no outstanding debt related to these assets at this time.

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.

J. Estimates

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

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K. Budgets and Budgetary Accounting

The LaSalle County Regional Office of Education No. 35 did not formally adopt a budget for the year ended June 30, 2005 and is not legally required to do so. The Illinois State Board of Education requires budgets for certain State and Federal programs. These budgets were used to prepare Budgetary Comparison Schedules for the following programs:

General Fund:

- ROE/ISC Operations

Special Revenue Funds:

- Regional Safe Schools
- Truants Alternative Program
- Learning Technology Center
- Title I - Reading First Part B SEA Funds

L. Interfund Transfers

Interfund transfers are categorized as either residual equity interfund transfers or operating interfund transfers. Residual equity interfund transfers are nonrecurring or nonroutine transfers of equity between funds. Operating interfund transfers are those routine kinds of transfers made between funds due to the unique relationships between the funds involved.

NOTE 2 - CASH AND INVESTMENTS

The LaSalle County Regional Office of Education No. 35 utilizes several different bank accounts for its various activities. The book balance of such accounts is \$1,648,561 at June 30, 2005, while the bank balance was \$2,397,228. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2005.

Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, the ROE's deposits may not be recovered. Originally, GASB Statement No. 3 discussed three categories of custodial credit risk as follows:

Category 1 includes deposits covered by depository insurance or collateral held by LaSalle County Regional Office of Education No. 35 in its name.

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Category 2 includes deposits covered by collateral held by the financial institutions in a pledged safekeeping account in the name of LaSalle County Regional Office of Education No. 35.

Category 3 includes deposits which are uncollateralized or the collateral is held by the financial institution trust department but not in the name of LaSalle County Regional Office of Education No. 35.

The ROE's deposits are covered by the Federal Deposit Insurance Corporation (FDIC) and by collateral held by the financial institution in the ROE's name. Although deposit balances classified under the traditional risk categories of 1 and 2 have been determined under GASB Statement No. 40 to be exposed to only minimal risk, and, based on this conclusion, the GASB chose to limit disclosure of custodial credit risk to deposits that meet the definition of "Category 3", the ROE has decided to include categories 1 and 2 in the discussion. The following table reflects the ROE's level of risk as of June 30, 2005:

	Bank Balance
Category 1	\$ 500,000
Category 2	1,895,014
Category 3	—
Exempt	2,214
Total	\$ 2,397,228

The exempt funds are those deposited into the Illinois Funds.

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

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

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NOTE 3 - CAPITAL ASSETS

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

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2005</u>
CAPITAL ASSETS				
Equipment	\$ 20,966	\$ -	\$ -	\$ 20,966
Accumulated depreciation	(8,834)	(2,713)	-	(11,547)
Capital assets, net	<u>\$ 12,132</u>	<u>(\$ 2,713)</u>	<u>\$ -</u>	<u>\$ 9,419</u>

Depreciation expense charged to governmental function amounts to \$2,713 in FY 2005.

NOTE 4 - INTERFUND TRANSFERS

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

	<u>Transfers-out</u>	<u>Transfers-in</u>
General Fund		\$4,608
Education Fund - Regional Safe Schools Program	(\$5)	
Education Fund - General State Aid	(520)	
Education Fund - Education Technology Coop	(100)	
Education Fund - Title II Teacher Quality (from Schools)	(100)	
Education Fund - KIDS Standards Project - Schools	(7)	
Education Fund - Learning Technology Center	(6)	
Education Fund - System of Support	(13)	
Education Fund - Para-professional	(100)	
Enterprise Fund - Video Coop	(7)	
Enterprise Fund - LaSalle County Area Purchasing Coop	(2,890)	
Enterprise Fund - American College Testing Student Fees	(860)	

NOTE 5 - EMPLOYEE BENEFIT PLAN

The LaSalle County Regional Office of Education No. 35's employees are covered under the Illinois Municipal Retirement Fund. Contributions to the Fund are made by LaSalle County and the LaSalle County Regional Office of Education No. 35 through grant monies on behalf of the LaSalle County Regional Office of Education No. 35 staff employees and grant coordinators.

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LaSalle County is a participating member of the Illinois Municipal Retirement Fund whose coverage includes all LaSalle County Regional Office of Education No. 35 employees who:

- a. Occupy a job normally requiring 1,000 hours or more per year;
- b. Are paid on a regular payroll from County or LaSalle County Regional Office of Education No. 35 funds;
- c. Were under age sixty when first entering employment; and
- d. Are not covered by another state created retirement system for the same service.

Employees not qualifying above are considered as “nonparticipating employees” and are covered under Social Security. The Superintendent of LaSalle County Regional Office of Education No. 35 is paid by the State of Illinois. Certain staff employees of LaSalle County Regional Office of Education No. 35 are employed and paid by LaSalle County (other support staff and grant coordinators are paid by the LaSalle County Regional Office of Education No. 35 through grant monies). LaSalle County Regional Office of Education No. 35 has no separate employee benefit plan.

Illinois Municipal Retirement Fund

The LaSalle County Regional Office of Education No. 35’s defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a financial report that includes financial statements and required supplementary information. The report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by state statute. The LaSalle County Regional Office of Education No. 35 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2004 was 13.89% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2004 was 5 years.

For December 31, 2004, the LaSalle County Regional Office of Education No. 35’s annual pension cost of \$35,974 was equal to the Employer’s required and actual contributions. The

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required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2004 actuarial valuation were based on the 1999-2001 experience study.

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/04	\$ 35,974	100%	\$ —
12/31/03	29,504	100%	—
12/31/02	20,991	100%	—
12/31/01	26,670	100%	—
12/31/00	49,362	100%	—
12/31/99	46,770	100%	—
12/31/98	38,744	100%	—
12/31/97	21,634	100%	—
12/31/96	10,317	100%	—
12/31/95	2,705	100%	—

NOTE 6 - RETIREMENT PLANS

Teachers' Retirement System of the State of Illinois

The LaSalle County Regional Office of Education No. 35 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago.

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

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TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 2005 was 9 percent of creditable earnings. These contributions, which may be paid on behalf of employees by employer, are submitted to TRS by the employer.

In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The employer THIS Fund contribution was 0.5 percent during the year ended June 30, 2005, and the member THIS Fund health insurance contribution was 0.75 percent.

The State of Illinois makes contributions directly to TRS on behalf of the LaSalle County Regional Office of Education No. 35's TRS-covered employees.

- **On-behalf Contributions.** The State of Illinois makes employer pension contributions on behalf of the LaSalle County Regional Office of Education No. 35. For the year ended June 30, 2005, the State of Illinois contributions were based on 11.76 percent of creditable earnings, and the LaSalle County Regional Office of Education No. 35 recognized revenue and expenditures for \$48,998 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2004 and June 30, 2003, the State of Illinois contribution rates as percentages of creditable earnings were 13.98 percent (\$56,478) and 13.01 percent (\$60,337), respectively.

The LaSalle County Regional Office of Education No. 35 makes three other types of employer contributions directly to TRS.

- **2.2 Formula Contributions.** For the years ended June 30, 2005, and June 30, 2004, employers were required to contribute 0.58 percent of creditable earnings for the 2.2 formula change. Contributions for the years ended June 30, 2005, and June 30, 2004, were \$2,416 and \$2,343, respectively. For the year ended June 30, 2003, part of the employer's 2.2 formula contribution (0.58 percent of pay) was reduced as a result of a new employer THIS Fund contribution for retiree health insurance (0.4 percent of pay). The remaining 0.18 percent was submitted to TRS. Contributions for the year ended June 30, 2003 were \$835.
- **Federal and Trust Fund Contributions.** When TRS members are paid from federal and trust funds administered by LaSalle County Regional Office of Education No. 35, there is a statutory requirement for the LaSalle County Regional Office of Education No. 35 to pay an employer pension contribution from those funds. For the three years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2005, salaries totaling \$70,432 were paid from

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federal and trust funds that required employer contributions of \$7,395. For the years ended June 30, 2004 and June 30, 2003, required Regional Office of Education No. 35 contributions were \$9,171 and \$7,379, respectively.

- **Early Retirement Option.** LaSalle County Regional Office of Education No. 35 is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option. The payments vary depending on the age and salary of the member. No member or employer contributions are required if the member has 34 years of service. The maximum employer payment of 100 percent of the member's highest salary used in the calculation of final average salary is required if the member is 55 years old. For the years ended June 30, 2005 and 2004, there were no salaries that qualified for this plan.

Changes

Public Act 94-0004, which was signed into law on June 1, 2005, contained a number of provisions affecting employer and active member contributions. Most will not be effective or impact financial statements until the year ending June 30, 2006. The changes are summarized below:

- **Active member contributions.** The active member contribution rate will increase from the current 9.0 percent of creditable earnings to 9.4 percent beginning July 1, 2005. The increase is to help cover the cost of the new ERO program and will be refunded if the member does not retire under ERO.
- **State/federal contributions.** Under a policy adopted by the Board of Trustees before Public Act 94-0004 was enacted, the employer contribution rate for employees paid from federal funds will be the same as the rate paid by the state. Under Public Act 94-0004, the state contribution rate in FY 2006 was reduced to 7.06 percent of pay. Therefore, the employer contribution rate for employees paid from federal funds in FY 2006 will be 7.06 percent, a decrease from the current 10.50 percent.
- **New employer contributions.**
 - ***Salary increases over 6 percent.*** If employers grant salary increases in excess of 6 percent that are used in final average salary calculations, the employer will make a lump-sum contribution to TRS to cover the cost of the portion of the benefit due to salary increases over 6 percent. Public Act 94-0004 exempts salary increases granted under contracts and collective bargaining agreements in effect on June 1, 2005.
 - ***Sick leave in excess of normal allotment.*** If employers grant sick leave near retirement in excess of the normal allotment and that sick leave is counted as service credit, the employer will make a lump-sum contribution to TRS. The act exempts

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

sick leave granted under contracts and collective bargaining agreements in effect on June 1, 2005.

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

TRS financial information, an explanation of TRS' benefits, and descriptions of member, employer and State funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2004. The report for the year ended June 30, 2005, is expected to be available in late 2005. The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P.O. Box 24253, 2815 West Washington Street, Springfield, IL 62794-9253. The most current report is also available on the TRS web site at trs.illinois.gov.

NOTE 7 - COMMON BANK ACCOUNT

The LaSalle County Regional Office of Education No. 35 does not maintain separate bank accounts for all funds. A common checking account is maintained for the Special Revenue Funds (except for the Video Coop, which has its own checking account). A common checking account is also maintained for the LaSalle County Area Purchasing Cooperative and another for the Education Fund.

NOTE 8 - INTEREST ON DISTRIBUTIVE FUND

Interest earned on distributive fund receipts is transferred after the end of each fiscal year to the General Fund by the written consent of all affected school boards and other entities. The funds are utilized by the Regional Superintendent to purchase computer equipment, develop in-service activities and other innovative programs, as well as assist with the necessary operating expenses of the LaSalle County Regional Office of Education No. 35 office.

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 9 - ON-BEHALF SALARIES AND PENSION PLAN CONTRIBUTIONS

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

Regional Superintendent salary	\$ 88,540
Regional Superintendent benefits (includes State paid insurance)	16,099
Assistant Regional Superintendent salary	79,686
Assistant Regional Superintendent benefits (includes State paid insurance)	18,632
TRS contributions	<u>48,998</u>
Total on-behalf payments	<u>\$ 251,955</u>

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

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2005**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	\$ 421,718	\$ 468,921	\$ 47,203	89.93%	\$ 258,996	18.23%
12/31/03	360,955	421,556	60,601	85.62%	291,254	20.81%
12/31/02	321,870	394,413	72,543	81.61%	279,874	25.92%
12/31/01	310,877	326,215	15,338	95.30%	272,976	5.62%
12/31/00	263,155	252,377	(10,778)	104.27%	339,028	0.00%
12/31/99	184,019	212,968	28,949	86.41%	325,023	8.91%
12/31/98	114,328	167,320	52,992	68.33%	279,540	18.96%
12/31/97	60,553	98,741	38,188	61.33%	209,191	18.26%
12/31/96	30,042	56,328	26,286	53.33%	126,127	20.84%
12/31/95	13,935	35,356	21,421	39.41%	28,591	74.92%

On a market value basis, the actuarial value of assets as of December 31, 2004 is \$422,380.
On a market basis, the funded ratio would be 90.07%.

***Digest of Changes**

The actuarial assumptions used to determine the actuarial accrued liability for 2004 are based on the 1999-2001 Experience Study.

The principal changes were:

- Fewer members are expected to take refunds early in their career.
- For Regular members, fewer normal and early retirements are expected to occur.

SUPPLEMENTARY INFORMATION

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 COMBINING SCHEDULE OF ACCOUNTS
 GENERAL FUND
 JUNE 30, 2005**

SCHEDULE 1

	<u>General</u>	<u>ROE/ISC Operations</u>	<u>Total</u>
ASSETS			
Cash	\$ 343,514	\$ -	\$ 343,514
Accounts receivable	4,374	-	4,374
TOTAL ASSETS	<u>347,888</u>	<u>-</u>	<u>347,888</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	43	-	43
 FUND BALANCES			
Fund balances, unreserved	347,845	-	347,845
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 347,888</u>	<u>\$ -</u>	<u>\$ 347,888</u>

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 COMBINING SCHEDULE OF REVENUE, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 GENERAL FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2005**

SCHEDULE 2

	General	ROE/ISC Operations	Total
REVENUES			
State sources	\$ -	\$ 131,776	\$ 131,776
Local sources			
Fees	5,326	-	5,326
Interest	10,750	-	10,750
On-behalf payments	251,955	-	251,955
	<u>268,031</u>	<u>131,776</u>	<u>399,807</u>
EXPENDITURES			
Salaries	2,400	61,494	63,894
Benefits	517	22,332	22,849
Purchased services	6,828	39,645	46,473
Supplies and materials	12,343	1,407	13,750
Miscellaneous	4,812	989	5,801
Payments to other governmental units	-	5,909	5,909
On-behalf payments	251,955	-	251,955
	<u>278,855</u>	<u>131,776</u>	<u>410,631</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(10,824)	-	(10,824)
OTHER FINANCING SOURCES			
Transfers in	4,608	-	4,608
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(6,216)	-	(6,216)
FUND BALANCES, UNRESERVED, BEGINNING OF YEAR	<u>354,061</u>	<u>-</u>	<u>354,061</u>
FUND BALANCES, UNRESERVED, END OF YEAR	<u>\$ 347,845</u>	<u>\$ -</u>	<u>\$ 347,845</u>

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2005**

SCHEDULE 3

	<u>ROE/ISC Operations</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
State sources	\$ 131,776	\$ 131,776	\$ -
Total revenues	<u>131,776</u>	<u>131,776</u>	<u>-</u>
EXPENDITURES			
Salaries	61,420	61,494	(74)
Benefits	22,040	22,332	(292)
Purchased services	39,625	39,645	(20)
Supplies and materials	1,408	1,407	1
Miscellaneous	990	989	1
Payments to other governmental units	6,293	5,909	384
Total expenditures	<u>131,776</u>	<u>131,776</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES, July 1, 2004		<u>-</u>	
FUND BALANCES, June 30, 2005		<u>\$ -</u>	

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 JUNE 30, 2005

SCHEDULE 4

	McKinney Education for Homeless Children	Regional Safe Schools	Truants Alternative Programs	General State Aid	Technology Coop	Technology Enhancing Education - Competitive	Title II - Teacher Quality (from Schools)	KIDS Standards Project - Schools
Cash	-	-	-	307,392	-	-	-	1,931
Accounts receivable	-	-	-	-	-	50	-	-
TOTAL ASSETS	-	-	-	307,392	-	50	-	1,931
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	-	-	-	3,617	-	50	-	1,931
Deferred revenues	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	3,617	-	50	-	1,931
FUND BALANCES								
Fund balances, unreserved	-	-	-	303,775	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	-	-	-	307,392	-	50	-	1,931

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 JUNE 30, 2005

SCHEDULE 4
 (CONTINUED)

Learning Technology Center	Title I - Reading First Part B SEA Funds (4337-00)		Title I - Reading First Part B SEA Funds (4337-03)		Title I - Reading First Part B SEA Funds (4337-04)		System of Support		Para-professional Lunch Program		Total
	SEA Funds (4337-00)	SEA Funds (4337-02)	SEA Funds (4337-03)	SEA Funds (4337-04)	SEA Funds (4337-04)	SEA Funds (4337-04)	System of Support	Para-professional	National School Lunch Program		
\$ (4,685)	\$ -	\$ 10,427	\$ -	\$ -	\$ -	\$ -	\$ 49,717	\$ -	\$ -	\$ -	\$ 364,782
4,685	-	-	-	-	-	-	-	-	-	993	5,728
-	-	10,427	-	-	-	-	49,717	-	-	993	370,510
ASSETS											
Cash											
Accounts receivable											
TOTAL ASSETS											
LIABILITIES AND FUND BALANCES											
LIABILITIES											
Accounts payable		108					5,907			993	12,606
Deferred revenues		10,291					43,616			-	53,907
Total liabilities		10,399					49,523			993	66,513
FUND BALANCES											
Fund balances, unreserved		28					194			-	303,997
TOTAL LIABILITIES AND FUND BALANCES		\$ 10,427					\$ 49,717			\$ 993	\$ 370,510

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2005

	McKinney Education for Homeless Children	Regional Safe Schools	Truants Alternative Programs	General State Aid	Education Technology Coop	Technology Enhancing Education - Competitive	Title II - Teacher Quality (from Schools)	KIDS Standards Project - Schools
REVENUES								
Federal sources	\$ 50,450	-	\$ -	\$ 54,894	\$ -	\$ 113,516	\$ -	\$ 21,149
State sources	-	267,414	105,024	274,467	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Fees	-	-	-	-	13,627	-	19,669	-
Interest	17	5	1	2,329	27	133	35	30
Total revenues	<u>50,467</u>	<u>267,419</u>	<u>105,025</u>	<u>331,690</u>	<u>13,654</u>	<u>113,649</u>	<u>19,704</u>	<u>21,179</u>
EXPENDITURES								
Salaries	34,986	207,998	73,048	187,371	2,000	24,009	4,000	10,741
Benefits	4,911	34,306	23,482	35,231	-	3,265	210	-
Purchased services	2,083	15,475	8,495	35,919	5,276	29,048	4,696	5,000
Supplies and materials	8,487	3,719	-	32,159	6,278	38,491	10,698	1,931
Capital outlay	-	5,916	-	6,312	-	16,598	-	-
Miscellaneous	-	-	-	311	-	35	-	-
Payments to other governmental units	-	-	-	2,016	-	2,203	-	3,500
Total expenditures	<u>50,467</u>	<u>267,414</u>	<u>105,025</u>	<u>299,319</u>	<u>13,554</u>	<u>113,649</u>	<u>19,604</u>	<u>21,172</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	5	-	32,371	100	-	100	7
OTHER FINANCING USES								
Transfers out	-	(5)	-	(520)	(100)	-	(100)	(7)
EXCESS OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES	-	-	-	31,851	-	-	-	-
FUND BALANCES, UNRESERVED, BEGINNING OF YEAR	-	-	-	271,924	-	-	-	-
FUND BALANCES, UNRESERVED, END OF YEAR	-	-	-	<u>303,775</u>	-	-	-	-

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2005

Learning Technology Center	Title I - Reading First Part B SEA Funds (4337-00)		Title I - Reading First Part B SEA Funds (4337-02)		Title I - Reading First Part B SEA Funds (4337-03)		Title I - Reading First Part B SEA Funds (4337-04)		System of Support	Part-professional	National School Lunch Program	Total
	\$		\$		\$		\$					
\$	-	\$ 15,000	\$ 42,539	\$ 22,000	\$ 2,500	\$ 45,659	\$ 4,800	\$ 933	\$ 373,440			
46,841	-	-	-	-	-	-	-	-	693,746			
-	-	-	-	-	-	-	-	-	33,296			
6	-	-	28	-	1	184	2	-	2,798			
46,847	15,000	42,567	22,000	2,501	45,843	4,802	933	1,103,280				
20,966	4,633	26,818	-	-	10,000	-	-	606,570				
3,962	451	3,739	-	-	-	-	-	109,557				
21,868	7,716	8,129	16,943	10,103	4,322	-	-	175,073				
45	2,200	458	5,057	2,978	380	933	-	116,315				
-	-	-	-	-	-	-	-	28,826				
-	-	-	-	-	1,667	-	-	2,013				
-	-	3,395	-	-	20,898	-	-	32,012				
46,841	15,000	42,539	22,000	2,501	45,646	4,702	933	1,070,366				
6	-	28	-	-	197	100	-	32,914				
(6)	-	-	-	-	(13)	(100)	-	(851)				
-	-	28	-	-	184	-	-	32,063				
-	-	-	-	-	10	-	-	271,934				
-	-	28	-	-	194	-	-	303,997				

REVENUES

Federal sources
State sources
Local sources
Fees
Interest
Total revenues

EXPENDITURES

Salaries
Benefits
Purchased services
Supplies and materials
Capital outlay
Miscellaneous
Payments to other governmental units
Total expenditures

EXCESS OF REVENUES OVER EXPENDITURES

OTHER FINANCING USES

Transfers out

EXCESS OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES

FUND BALANCES, UNRESERVED, BEGINNING OF YEAR

FUND BALANCES, UNRESERVED, END OF YEAR

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 6

	Regional Safe Schools		Truants Alternative Programs		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
REVENUES					
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	267,414	267,414	105,024	105,024	-
Local sources	-	5	-	1	1
Interest	-	5	-	1	1
Total revenues	<u>267,414</u>	<u>267,419</u>	<u>105,024</u>	<u>105,025</u>	<u>1</u>
EXPENDITURES					
Salaries	208,041	207,998	71,950	73,048	(1,098)
Benefits	34,467	34,306	24,705	23,482	1,223
Purchased services	16,033	15,475	8,000	8,495	(495)
Supplies and materials	2,957	3,719	369	-	369
Capital outlay	5,916	5,916	-	-	-
Payments to other governmental units	-	-	-	-	-
Total expenditures	<u>267,414</u>	<u>267,414</u>	<u>105,024</u>	<u>105,025</u>	<u>(1)</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ 5	\$ -	\$ -	\$ -
OTHER FINANCING USES					
Transfers out	-	(5)	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-	-	-	-	-
FUND BALANCES, July 1, 2004	-	-	-	-	-
FUND BALANCES, June 30, 2005	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 6
 (CONTINUED)

	Learning Technology Center			Title I - Reading First Part B SEA Funds (4337-00)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Federal sources	\$ -	\$ -	\$ -	\$ 15,000	\$ 15,000	\$ -
State sources	46,841	46,841	-	-	-	-
Local sources	-	6	6	-	-	-
Interest	46,841	46,847	6	15,000	15,000	-
Total revenues						
EXPENDITURES						
Salaries	20,965	20,966	(1)	4,540	4,633	(93)
Benefits	3,963	3,962	1	441	451	(10)
Purchased services	21,868	21,868	-	7,819	7,716	103
Supplies and materials	45	45	-	2,200	2,200	-
Capital outlay	-	-	-	-	-	-
Payments to other governmental units	-	-	-	-	-	-
Total expenditures	46,841	46,841	-	15,000	15,000	-
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	6	\$ 6	\$ -	-	\$ -
OTHER FINANCING USES						
Transfers out		(6)				
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES						
FUND BALANCES, July 1, 2004						
FUND BALANCES, June 30, 2005	\$ -	-		\$ -	-	\$ -

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 6
 (CONTINUED)

	Title I - Reading First Part B SEA Funds (4337-02)			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Federal sources	\$ 52,830	\$ 42,539	\$ (10,291)	\$ 67,830	\$ 57,539	\$ (10,291)
State sources	-	-	-	419,279	419,279	-
Local sources	-	-	-	-	-	-
Interest	-	28	28	-	40	40
Total revenues	<u>52,830</u>	<u>42,567</u>	<u>(10,263)</u>	<u>487,109</u>	<u>476,858</u>	<u>(10,251)</u>
EXPENDITURES						
Salaries	35,183	26,818	8,365	340,679	333,463	7,216
Benefits	5,233	3,739	1,494	68,809	65,940	2,869
Purchased services	7,831	8,129	(298)	61,551	61,683	(132)
Supplies and materials	1,188	458	730	6,759	6,422	337
Capital outlay	-	-	-	5,916	5,916	-
Payments to other governmental units	3,395	3,395	-	3,395	3,395	-
Total expenditures	<u>52,830</u>	<u>42,539</u>	<u>10,291</u>	<u>487,109</u>	<u>476,819</u>	<u>10,290</u>
	\$ -	28	\$ 28	\$ -	39	\$ 39
EXCESS OF REVENUES OVER EXPENDITURES						
	-	-	-	-	(11)	-
OTHER FINANCING USES						
Transfers out						
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES						
		28			28	
FUND BALANCES, July 1, 2004						
		-			-	
FUND BALANCES, June 30, 2005						
	\$ 28			\$ 28		

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2005

	General Educational Development	School Bus Driver Training	Supervisory	Annexation and Sales Petition	Hazard Safety Reimbursement	Network for Information	Counselors Academy	Math Contract	Total
Cash	\$ 27,370	\$ 11,524	-	\$ 2,562	\$ 1,404	\$ 609	\$ 564	\$ 160	\$ 44,193
Accounts receivable	650	112	-	-	-	-	-	-	762
TOTAL ASSETS	28,020	11,636	-	2,562	1,404	609	564	160	44,955

LIABILITIES AND FUND BALANCES

Accounts payable	-	170	-	-	-	-	-	160	330
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FUND BALANCES

Fund balances, unreserved	28,020	11,466	-	2,562	1,404	609	564	-	44,625
TOTAL LIABILITIES AND FUND BALANCES	\$ 28,020	\$ 11,636	\$ -	\$ 2,562	\$ 1,404	\$ 609	\$ 564	\$ 160	\$ 44,955

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	General Educational Development	School Bus Driver Training	Supervisory	Annexation and Sales Petition	Hazard Safety Reimbursement	Network for Information	Counselors Academy	Math Contract	Total
REVENUES									
State sources	\$ -	\$ 600	\$ 1,000	\$ -	\$ 40	\$ -	\$ -	\$ 1,000	\$ 2,640
Local sources									
Fees	8,025	1,680	-	-	-	-	-	-	9,705
Interest	141	63	1	10	6	4	4	4	233
Total revenues	8,166	2,343	1,001	10	46	4	4	1,004	12,578
EXPENDITURES									
Salaries	2,094	553	-	-	-	-	-	-	2,647
Benefits	-	129	-	-	-	-	-	-	129
Purchased services	2,710	2,174	1,001	-	-	-	429	1,004	7,318
Supplies and materials	2,708	-	-	-	-	-	-	-	2,708
Miscellaneous	150	54	-	-	-	-	-	-	204
Total expenditures	7,662	2,910	1,001	-	-	-	429	1,004	13,006
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	504	(567)	-	10	46	4	(425)	-	(428)
FUND BALANCES, UNRESERVED, BEGINNING OF YEAR	27,516	12,033	-	2,552	1,358	605	989	-	45,053
FUND BALANCES, UNRESERVED, END OF YEAR	\$ 28,020	\$ 11,466	\$ -	\$ 2,562	\$ 1,404	\$ 609	\$ 564	\$ -	\$ 44,625

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 JUNE 30, 2005

SCHEDULE 9

	LaSalle County Area Purchasing Coop	American College Testing Student Fees	Excellence in Education	Technology Local Fees	Tech Workbooks (NCREL)	Administrator's Academy	Discovery Unitedstreaming Coop.	Criminal Background Investigation	Total
ASSETS									
Cash	\$ -	\$ 3,029	\$ -	\$ 19,765	\$ 1,419	\$ 17,577	\$ 8,644	\$ -	\$ 71,289
Accounts receivable	-	-	-	-	-	-	10,001	-	10,001
TOTAL ASSETS	-	3,029	20,855	19,765	1,419	17,577	18,645	-	81,290
LIABILITIES									
Accounts payable	-	-	-	-	-	-	18,626	-	18,884
Deferred revenues	-	-	-	-	-	2,400	-	-	2,400
TOTAL LIABILITIES	-	-	-	-	-	2,400	18,626	-	21,284
NET ASSETS									
Unrestricted	-	-	20,855	19,765	1,419	15,177	19	-	60,006
TOTAL NET ASSETS	\$ -	\$ 2,771	\$ 20,855	\$ 19,765	\$ 1,419	\$ 15,177	\$ 19	\$ -	\$ 60,006

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	Video Coop	LaSalle County Area Purchasing Coop	American College Testing Student Fees	Excellence in Education	Technology Local Fees	Tech Workbooks (NCREL)	Administrator's Academy	Discovery Unitedstreaming Coop	Criminal Background Investigation	Total
OPERATING REVENUES										
Local sources	\$ 12,393	\$ 28,346	\$ 5,940	\$ 9,473	\$ -	\$ -	\$ 31,320	\$ 18,626	\$ 290	\$ 106,388
OPERATING EXPENSES										
Salaries	10,397	28,280	-	-	-	-	11,435	-	-	50,112
Benefits	2,138	397	-	-	-	-	-	-	-	2,535
Purchased services	1,495	2,106	1,820	8,346	-	-	6,546	18,626	1,232	40,171
Supplies and materials	-	-	3,289	3,775	-	-	6,361	-	-	13,425
Miscellaneous	-	100	-	145	-	-	-	-	-	245
Total operating expenses	14,030	30,883	5,109	12,266	-	-	24,342	18,626	1,232	106,488
OPERATING INCOME (LOSS)	(1,637)	(2,537)	831	(2,793)	-	-	6,978	-	(942)	(100)
NONOPERATING REVENUES										
Interest	12	49	29	239	148	8	149	19	2	655
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(1,625)	(2,488)	860	(2,554)	148	8	7,127	19	(940)	555
OPERATING TRANSFERS										
Transfers out	(7)	(2,890)	(860)	-	-	-	-	-	-	(3,757)
CHANGE IN NET ASSETS	(1,632)	(5,378)	-	(2,554)	148	8	7,127	19	(940)	(3,202)
NET ASSETS, July 1, 2004	1,632	8,149	-	23,409	19,617	1,411	8,050	-	940	63,208
NETS ASSETS, June 30, 2005	\$ -	\$ 2,771	\$ -	\$ 20,855	\$ 19,765	\$ 1,419	\$ 15,177	\$ 19	\$ -	\$ 60,006

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 11

	Video Coop	LaSalle County Area Purchasing Coop	American College Testing Student Fees	Excellence in Education	Technology Local Fees	Tech Workbooks (NCREL)	Administrator's Academy	Discovery Unitedstreaming Coop	Criminal Background Investigation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:										
Receipts for workshops and services	\$ 12,393	\$ 28,346	\$ 5,940	\$ 9,473	\$ -	\$ -	\$ 31,320	\$ 8,625	\$ 290	\$ 96,387
Payments to employees	(10,397)	(28,280)	-	-	-	-	(11,435)	-	-	(50,112)
Payments to suppliers	(3,633)	(3,491)	(5,109)	(12,266)	-	-	(10,767)	-	(1,232)	(36,498)
Net cash provided by (used in) operating activities	(1,637)	(3,425)	831	(2,793)	-	-	9,118	8,625	(942)	9,777
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITY:										
Transfers out	(7)	(2,890)	(860)	-	-	-	-	-	-	(3,757)
Net cash used in non capital financing activity	(7)	(2,890)	(860)	-	-	-	-	-	-	(3,757)
CASH FLOWS FROM INVESTING ACTIVITY:										
Interest	12	49	29	239	148	8	149	19	2	655
Net cash provided by investment activity	12	49	29	239	148	8	149	19	2	655
NET INCREASE (DECREASE) IN CASH	(1,632)	(6,266)	-	(2,554)	148	8	9,267	8,644	(940)	6,675
CASH, July 1, 2004	1,632	9,295	-	23,409	19,617	1,411	8,310	-	940	64,614
CASH, June 30, 2005	\$ -	\$ 3,029	\$ -	\$ 20,855	\$ 19,765	\$ 1,419	\$ 17,377	\$ 8,644	\$ -	\$ 71,289
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:										
Operating income (loss)	\$ (1,637)	\$ (2,537)	\$ 831	\$ (2,793)	\$ -	\$ -	\$ 6,978	\$ -	\$ (942)	\$ (100)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:										
Effects of changes in assets and liabilities:										
Accounts receivable	-	(888)	-	-	-	-	2,140	(10,001)	-	(10,001)
Accounts payable	-	-	-	-	-	-	-	18,626	-	19,878
Net cash provided by (used in) operating activities	\$ (1,637)	\$ (3,425)	\$ 831	\$ (2,793)	\$ -	\$ -	\$ 9,118	\$ 8,625	\$ (942)	\$ 9,777

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 JUNE 30, 2005**

SCHEDULE 12

	<u>Distributive</u>	<u>Payroll</u>	<u>Total</u>
ASSETS			
Cash	<u>\$ 1,232</u>	<u>\$ 11</u>	<u>\$ 1,243</u>
LIABILITIES			
Distributive payable	1,232	-	1,232
Due to other government	<u>-</u>	<u>11</u>	<u>11</u>
Total liabilities	<u>\$ 1,232</u>	<u>\$ 11</u>	<u>\$ 1,243</u>

**LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005**

SCHEDULE 13

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
DISTRIBUTIVE				
ASSETS				
Cash	\$ 258	\$ 58,392,721	\$ 58,391,747	\$ 1,232
LIABILITIES				
Distributive payable	\$ 258	\$ 58,392,721	\$ 58,391,747	\$ 1,232
 PAYROLL				
ASSETS				
Cash	\$ 10	\$ 596,604	\$ 596,603	\$ 11
LIABILITIES				
Due to other governments	\$ 10	\$ 596,604	\$ 596,603	\$ 11
 TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 268	\$ 58,989,325	\$ 58,988,350	\$ 1,243
LIABILITIES				
Distributive payable	258	58,392,721	58,391,747	1,232
Due to other governments	10	596,604	596,603	11
Total liabilities	\$ 268	\$ 58,989,325	\$ 58,988,350	\$ 1,243

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
 DISTRIBUTIVE FUND
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 14

	Allen Otter Creek CC #65	Deer Park CC #82	Dimmick CC #175	Earville Community #9	Grand Ridge CC #95	Holy Cross School	Holy Family School
General State Aid - Formula	\$ 192,644	\$ 173,947	\$ 26,344	\$ 1,082,152	\$ 632,211	\$ -	\$ -
General State Aid - Hold Harmless	57,757	29,514	768	-	-	-	-
Reorganization Incentive - Attendance	16,260	-	-	-	-	-	-
Reorganization Incentive - Salary Difference	8,078	-	-	-	-	-	-
Reorganization Incentive - Certified Salary	40,000	-	-	-	-	-	-
Fast Growth Grants	-	-	6,313	-	-	-	-
Other Unrestricted Grants From State Source	-	-	-	-	-	-	-
Special Ed - Pri. Fac. Tui.	22,013	1,226	-	15,212	2,282	-	-
Special Ed. - Extraordinary	6,151	7,495	9,133	37,238	22,525	-	-
Special Ed. - Personnel	11,291	4,928	9,444	61,494	74,154	-	-
Special Ed. - Orphan - Ind.	5,445	-	-	-	22,752	-	-
Special Ed. - Orphan - Smr. Ind.	-	-	-	-	-	-	-
Special Ed. - Summer School	-	-	15	1,072	-	-	-
Bilingual Ed. - Dwnst. TPI	-	-	-	-	-	-	-
Bilingual Ed. - Dwnst. TBE	-	-	-	-	-	-	-
State Free Lunch & Breakfast	280	124	112	1,383	2,189	374	-
School Breakfast Incentive	-	-	-	-	170	-	-
Driver Education	-	-	-	5,345	-	-	-
Transportation - Regular	36,669	50,374	17,964	57,404	144,292	-	-
Transportation - Special Ed.	26,787	16,108	6,249	26,909	1,581	-	-
ROE School Bus Driver Training	-	-	-	-	-	-	-
Teacher Leaders	-	-	-	-	-	-	-
Truants Alt./Optional Ed.	-	-	-	-	-	-	-
Alternative Education	-	-	-	-	-	-	-
Early Childhood - State Preschool At Risk	-	-	-	-	-	-	-
K-6 Reading Improvement	5,084	3,522	3,910	15,636	15,763	-	-
ROE/ISC Operations	-	-	-	-	-	-	-
Supervisory Expense	-	-	-	-	-	-	-
ADA Safety & Ed. Block Grant	3,636	2,119	3,169	13,331	9,732	-	-
Technology for Schools - Networks	-	-	-	-	-	-	-
Technology - On-Line Curricular Projects	-	-	-	-	-	-	-
Orphanage, Tuition	-	-	-	-	-	-	-
IASA - Title VI Formula	683	273	343	3,241	1,445	-	-
Rural Education Initiative	-	-	-	-	-	-	-
Breakfast Startup	-	-	-	-	-	-	-
National School Lunch Program	7,917	4,696	4,594	30,407	38,007	10,088	-
Special Milk Program	-	-	-	-	-	-	4,074
School Breakfast Program	-	-	-	-	8,703	6,282	-
Childcare Commodity/SFS 13- Adult Day Care	-	-	-	-	-	-	-
Title I - Low Income	35,095	19,449	-	95,718	44,000	-	-
Reading First Program	-	-	-	-	-	-	-
Title I - Even Start	-	-	-	-	-	-	-
Title I - Reading First Part B SEA Funds	-	-	-	-	-	-	-
Title I - Migrant Education	-	-	-	-	-	-	-
Title I - Migrant Incentive	-	-	-	-	-	-	-
Safe & Drug Free Schools	942	567	236	2,142	1,433	-	-
NCLB Title IV Sec. 4126 Grant	-	-	-	-	-	-	-
Federal Special Ed. - Pre-school Flow Thru	-	-	-	-	-	-	-
Fed. - Sp. Ed. - IDEA - Flow Thru/Low Incidence	-	-	-	-	-	-	-
Fed. Special Ed. - IDEA Room & Board	-	-	-	149,443	-	-	-
Fed. Special Ed. - IDEA Discretionary	-	-	-	-	-	-	-
IDEA Improvement Grants - Part D	-	-	-	-	-	-	-
Emergency Immigrant Assistance	-	-	-	-	-	-	-
Title II - Teacher Quality	12,875	5,783	2,969	28,753	12,894	-	-
Technology Literacy Challenge	136	477	-	2,567	980	-	-
School Renovation	-	-	-	-	-	-	-
TOTAL	\$ 489,743	\$ 320,602	\$ 91,563	\$ 1,629,447	\$ 1,035,113	\$ 16,744	\$ 4,074

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
 DISTRIBUTIVE FUND
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 14
 (CONTINUED)

	LaSalle Catholic School	LaSalle County ROE	LaSalle County Treasurer	LaSalle Elementary	LaSalle Peru Twp. H.S. #120	LEASE	Leland Comm. #1
General State Aid - Formula	\$ -	\$ 329,361	\$ -	\$ 2,387,579	\$ 1,401,720	\$ -	\$ 570,960
General State Aid - Hold Harmless	-	-	-	-	310,712	-	-
Reorganization Incentive - Attendance	-	-	-	-	-	-	-
Reorganization Incentive - Salary Difference	-	-	-	-	-	-	-
Reorganization Incentive - Certified Salary	-	-	-	-	-	-	-
Fast Growth Grants	-	-	-	-	-	-	-
Other Unrestricted Grants From State Source	-	-	-	-	-	-	-
Special Ed - Pri. Fac. Tui.	-	-	-	57,058	6,841	-	10,377
Special Ed. - Extraordinary	-	-	-	101,010	118,502	-	9,070
Special Ed. - Personnel	-	-	-	147,418	193,833	322,194	63,119
Special Ed. - Orphan - Ind.	-	-	-	-	-	-	-
Special Ed. - Orphan - Smr. Ind.	-	-	-	-	-	-	-
Special Ed. - Summer School	-	-	-	2,222	297	-	219
Bilingual Ed. - Dwnst. TPI	-	-	-	410	10,365	-	-
Bilingual Ed. - Dwnst. TBE	-	-	-	-	5,269	-	-
State Free Lunch & Breakfast	125	-	-	12,451	2,824	390	775
School Breakfast Incentive	-	-	-	38	159	-	-
Driver Education	-	-	-	-	84,439	-	2,955
Transportation - Regular	-	-	-	47,742	235,368	-	55,242
Transportation - Special Ed.	-	-	-	98,814	88,146	-	44,586
ROE School Bus Driver Training	-	600	-	-	-	-	-
Teacher Leaders	-	-	-	-	-	-	-
Truants Alt./Optional Ed.	-	105,024	-	-	136,438	-	-
Alternative Education	-	267,414	-	-	-	-	-
Early Childhood - State Preschool At Risk	-	-	-	180,316	-	-	-
K-6 Reading Improvement	-	-	-	61,812	-	-	10,412
ROE/ISC Operations	-	131,776	-	-	-	-	-
Supervisory Expense	-	1,000	-	-	-	-	-
ADA Safety & Ed. Block Grant	-	-	-	23,312	32,526	-	9,808
Technology for Schools - Networks	-	46,841	-	-	-	-	-
Technology -On-Line Curricular Projects	-	-	-	-	-	-	-
Orphanage, Tuition	-	-	306,565	-	-	-	-
IASA - Title VI Formula	-	-	-	7,034	5,372	-	1,445
Rural Education Initiative	-	-	-	25,538	-	-	-
Breakfast Startup	-	-	-	-	-	-	-
National School Lunch Program	5,091	-	-	164,598	51,761	7,546	24,580
Special Milk Program	-	-	-	-	-	-	-
School Breakfast Program	-	-	-	42,201	4,975	-	-
Childcare Commodity/SFS 13- Adult Day Care	-	-	-	-	-	-	-
Title I - Low Income	-	-	-	359,411	187,785	-	24,555
Reading First Program	-	-	-	136,141	-	-	-
Title I - Even Start	-	-	-	-	-	-	-
Title I - Reading First Part B SEA Funds	-	70,156	-	-	-	-	-
Title I - Migrant Education	-	-	-	-	-	-	-
Title I - Migrant Incentive	-	-	-	-	-	-	-
Safe & Drug Free Schools	-	-	-	10,385	4,562	-	1,287
NCLB Title IV Sec. 4126 Grant	-	208	-	-	-	-	-
Federal Special Ed. - Pre-school Flow Thru	-	-	-	-	-	157,915	-
Fed. - Sp. Ed. - IDEA - Flow Thru/Low Incidence	-	-	-	-	-	3,595,314	-
Fed. Special Ed. - IDEA Room & Board	-	-	-	-	-	-	-
Fed. Special Ed. - IDEA Discretionary	-	-	-	-	-	10,000	-
IDEA Improvement Grants - Part D	-	-	-	-	-	49,282	-
Emergency Immigrant Assistance	-	-	-	-	-	-	-
Title II - Teacher Quality	-	-	-	100,313	45,296	-	9,862
Technology Literacy Challenge	-	-	-	10,916	4,916	-	729
School Renovation	-	-	-	-	-	-	-
TOTAL	\$ 5,216	\$ 952,380	\$ 306,565	\$ 3,976,719	\$ 2,932,106	\$4,142,641	\$ 839,981

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
 DISTRIBUTIVE FUND
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 14
 (CONTINUED)

	Lighted Way Assoc., Inc.	Lostant CUSD #425	L-P Area Voc. Center	Marseilles Elementary #150	Mendota CC #289	Mendota Twp. H.S. #280	Miller Twp. CC #210
General State Aid - Formula	\$ -	\$ 67,504	\$ -	\$ 1,478,667	\$2,485,056	\$ 1,158,272	\$ 350,046
General State Aid - Hold Harmless	-	55,770	-	-	-	-	-
Reorganization Incentive - Attendance	-	-	-	-	-	-	-
Reorganization Incentive - Salary Difference	-	-	-	-	-	-	-
Reorganization Incentive - Certified Salary	-	-	-	-	-	-	-
Fast Growth Grants	-	-	-	-	-	-	-
Other Unrestricted Grants From State Source	-	234	-	32,978	-	-	-
Special Ed - Pri. Fac. Tui.	-	-	-	14,019	-	-	17,913
Special Ed. - Extraordinary	-	3,776	-	75,786	82,803	24,753	17,311
Special Ed. - Personnel	-	13,219	-	129,825	197,434	85,494	20,100
Special Ed. - Orphan - Ind.	-	-	-	795	-	14,399	-
Special Ed. - Orphan - Smr. Ind.	-	-	-	-	-	-	-
Special Ed. - Summer School	-	-	-	1,414	-	478	372
Bilingual Ed. - Dwnst. TPI	-	-	-	-	22,513	5,355	-
Bilingual Ed. - Dwnst. TBE	-	-	-	-	-	-	-
State Free Lunch & Breakfast	-	483	-	3,628	8,823	1,625	382
School Breakfast Incentive	-	-	-	13	10,500	-	-
Driver Education	-	-	-	-	-	26,960	-
Transportation - Regular	-	66,130	12,618	166,502	163,218	32,669	35,198
Transportation - Special Ed.	-	32,044	-	35,962	65,002	111,494	73,346
ROE School Bus Driver Training	-	-	-	-	-	-	-
Teacher Leaders	-	-	-	-	3,000	-	-
Truants Alt./Optional Ed.	-	-	-	-	-	-	-
Alternative Education	-	-	-	-	-	-	-
Early Childhood - State Preschool At Risk	-	-	-	181,747	241,385	-	-
K-6 Reading Improvement	-	3,526	-	25,733	62,822	-	10,282
ROE/ISC Operations	-	-	-	-	-	-	-
Supervisory Expense	-	-	-	-	-	-	-
ADA Safety & Ed. Block Grant	-	3,543	-	14,433	34,146	17,314	6,874
Technology for Schools - Networks	-	-	-	-	-	-	-
Technology -On-Line Curricular Projects	-	-	-	-	-	-	-
Orphanage, Tuition	-	-	-	-	-	-	-
IASA - Title VI Formula	-	273	-	2,370	10,391	10,928	700
Rural Education Initiative	-	-	-	-	-	-	-
Breakfast Startup	-	-	-	-	8,100	-	-
National School Lunch Program	-	7,115	-	64,908	206,548	39,451	11,167
Special Milk Program	440	-	-	-	2,116	-	-
School Breakfast Program	-	-	-	7,704	6,908	-	-
Childcare Commodity/SFS 13- Adult Day Care	-	-	-	-	3,373	-	-
Title I - Low Income	-	5,349	-	79,846	143,855	165,974	32,270
Reading First Program	-	-	-	-	-	-	-
Title I - Even Start	-	-	-	-	-	-	-
Title I - Reading First Part B SEA Funds	-	-	-	-	-	-	-
Title I - Migrant Education	-	-	-	-	110,841	-	-
Title I - Migrant Incentive	-	-	-	-	4,200	-	-
Safe & Drug Free Schools	-	484	-	2,346	3,933	1,847	1,127
NCLB Title IV Sec. 4126 Grant	-	-	-	-	-	-	-
Federal Special Ed. - Pre-school Flow Thru	-	-	-	-	-	-	-
Fed. - Sp. Ed. - IDEA - Flow Thru/Low Incidence	-	-	-	-	-	-	-
Fed. Special Ed. - IDEA Room & Board	-	-	-	-	-	-	-
Fed. Special Ed. - IDEA Discretionary	-	-	-	-	-	-	-
IDEA Improvement Grants - Part D	-	-	-	-	-	-	-
Emergency Immigrant Assistance	-	-	-	-	-	-	-
Title II - Teacher Quality	-	4,294	-	21,811	75,348	17,854	10,032
Technology Literacy Challenge	-	-	-	1,779	6,697	2,498	476
School Renovation	-	-	-	-	-	-	-
TOTAL	\$ 440	\$ 263,744	\$ 12,618	\$ 2,342,266	\$3,959,012	\$ 1,717,365	\$ 587,596

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
 DISTRIBUTIVE FUND
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 14
 (CONTINUED)

	Oglesby Elementary #125	Ottawa Elem. #141	Ottawa Twp. H. S. #140	Peru Elementary #124	Rutland CC #230	Seneca CC #170
General State Aid - Formula	\$ 914,663	\$ 4,377,538	\$ 2,292,195	\$ 1,011,760	\$ 50,572	\$ 172,341
General State Aid - Hold Harmless	-	-	-	28,580	-	-
Reorganization Incentive - Attendance	-	-	-	-	-	-
Reorganization Incentive - Salary Difference	-	-	-	-	-	-
Reorganization Incentive - Certified Salary	-	-	-	-	-	-
Fast Growth Grants	-	-	-	-	-	-
Other Unrestricted Grants From State Source	-	-	-	-	-	-
Special Ed - Pri. Fac. Tui.	-	62,181	47,991	23,018	9,786	16,396
Special Ed. - Extraordinary	19,730	163,227	62,885	67,588	6,417	18,086
Special Ed. - Personnel	60,748	419,323	189,311	154,119	30,690	112,824
Special Ed. - Orphan - Ind.	-	2,671	28,801	4,511	-	5,165
Special Ed. - Orphan - Smr. Ind.	-	-	-	-	-	-
Special Ed. - Summer School	-	2,775	3,393	1,312	98	-
Bilingual Ed. - Dwnst. TPI	-	8,592	3,687	-	-	-
Bilingual Ed. - Dwnst. TBE	-	-	-	-	-	-
State Free Lunch & Breakfast	2,954	13,021	1,037	3,355	338	1,540
School Breakfast Incentive	4,048	11	-	29	-	-
Driver Education	-	-	48,134	-	-	-
Transportation - Regular	49,766	50,228	115,251	119,335	42,091	3,768
Transportation - Special Ed.	32,704	230,247	120,100	58,511	12,742	30,043
ROE School Bus Driver Training	-	-	-	-	-	-
Teacher Leaders	-	-	-	-	-	-
Truants Alt./Optional Ed.	-	-	-	-	-	-
Alternative Education	-	-	-	-	-	-
Early Childhood - State Preschool At Risk	378,148	304,863	-	-	-	35,337
K-6 Reading Improvement	22,115	118,882	-	52,762	5,992	24,079
ROE/ISC Operations	-	-	-	-	-	-
Supervisory Expense	-	-	-	-	-	-
ADA Safety & Ed. Block Grant	11,453	56,884	42,273	24,383	3,184	16,561
Technology for Schools - Networks	-	-	-	-	-	-
Technology -On-Line Curricular Projects	-	-	-	-	-	-
Orphanage, Tuition	-	-	-	-	-	-
IASA - Title VI Formula	2,556	12,411	6,930	6,877	573	2,355
Rural Education Initiative	-	-	-	-	-	-
Breakfast Startup	-	-	-	-	-	-
National School Lunch Program	47,524	245,249	-	81,079	8,949	44,353
Special Milk Program	-	561	5,025	-	-	714
School Breakfast Program	8,387	18,059	-	-	-	-
Childcare Commodity/SFS 13- Adult Day Care	-	-	-	-	-	-
Title I - Low Income	88,461	512,608	96,471	305,009	16,056	58,762
Reading First Program	-	-	-	-	-	-
Title I - Even Start	-	-	-	-	-	-
Title I - Reading First Part B SEA Funds	-	-	-	-	-	-
Title I - Migrant Education	-	-	-	-	-	-
Title I - Migrant Incentive	-	-	-	-	-	-
Safe & Drug Free Schools	2,540	15,022	5,802	6,828	676	2,334
NCLB Title IV Sec. 4126 Grant	-	-	-	-	-	-
Federal Special Ed. - Pre-school Flow Thru	-	-	-	-	-	-
Fed. - Sp. Ed. - IDEA - Flow Thru/Low Incidence	-	-	-	-	-	-
Fed. Special Ed. - IDEA Room & Board	-	59,372	48,510	-	-	111,060
Fed. Special Ed. - IDEA Discretionary	-	-	-	-	-	-
IDEA Improvement Grants - Part D	-	-	-	-	-	-
Emergency Immigrant Assistance	-	1,400	-	-	-	-
Title II - Teacher Quality	28,528	123,351	41,172	41,451	5,815	22,760
Technology Literacy Challenge	1,954	14,788	2,566	6,687	768	1,563
School Renovation	-	38,713	-	-	-	-
TOTAL	\$ 1,676,279	\$ 6,851,977	\$ 3,161,534	\$ 1,997,194	\$ 194,747	\$ 680,041

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
 DISTRIBUTIVE FUND
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 14
 (CONTINUED)

	Seneca Twp. H.S. # 160	Serena Community #2	St. Anthony School	St. Patrick's School	St. Patrick's	St. Stephens Parent Club
General State Aid - Formula	\$ 112,027	\$ 762,669	\$ -	\$ -	\$ -	\$ -
General State Aid - Hold Harmless	25,929	198,773	-	-	-	-
Reorganization Incentive - Attendance	-	-	-	-	-	-
Reorganization Incentive - Salary Difference	-	-	-	-	-	-
Reorganization Incentive - Certified Salary	-	-	-	-	-	-
Fast Growth Grants	-	-	-	-	-	-
Other Unrestricted Grants From State Source	-	-	-	-	-	-
Special Ed - Pri. Fac. Tui.	4,678	44,716	-	-	-	-
Special Ed. - Extraordinary	4,651	68,927	-	-	-	-
Special Ed. - Personnel	69,391	106,347	-	-	-	-
Special Ed. - Orphan - Ind.	-	8,411	-	-	-	-
Special Ed. - Orphan - Smr. Ind.	-	-	-	-	-	-
Special Ed. - Summer School	-	1,006	-	-	-	-
Bilingual Ed. - Dwnst. TPI	-	-	-	-	-	-
Bilingual Ed. - Dwnst. TBE	-	-	-	-	-	-
State Free Lunch & Breakfast	505	1,897	368	328	183	323
School Breakfast Incentive	-	-	-	-	-	-
Driver Education	17,474	9,765	-	-	-	-
Transportation - Regular	97,091	222,910	-	-	-	-
Transportation - Special Ed.	46,630	110,362	-	-	-	-
ROE School Bus Driver Training	-	-	-	-	-	-
Teacher Leaders	-	-	-	-	-	-
Truants Alt./Optional Ed.	-	-	-	-	-	-
Alternative Education	-	-	-	-	-	-
Early Childhood - State Preschool At Risk	-	-	-	-	-	-
K-6 Reading Improvement	-	26,954	-	-	-	-
ROE/ISC Operations	-	-	-	-	-	-
Supervisory Expense	-	-	-	-	-	-
ADA Safety & Ed. Block Grant	13,666	24,341	-	-	-	-
Technology for Schools - Networks	-	-	-	-	-	-
Technology -On-Line Curricular Projects	-	-	-	-	-	-
Orphanage, Tuition	-	-	-	-	-	-
IASA - Title VI Formula	1,832	3,356	-	-	-	-
Rural Education Initiative	-	-	-	-	-	-
Breakfast Startup	-	-	-	-	-	-
National School Lunch Program	18,849	45,937	14,746	7,541	8,296	11,022
Special Milk Program	-	-	-	140	21	-
School Breakfast Program	-	-	-	-	-	-
Childcare Commodity/SFS 13- Adult Day Care	-	-	-	-	-	-
Title I - Low Income	18,662	93,656	-	-	-	-
Reading First Program	-	-	-	-	-	-
Title 1 - Even Start	-	-	-	-	-	-
Title 1 - Reading First Part B SEA Funds	-	-	-	-	-	-
Title I - Migrant Education	-	-	-	-	-	-
Title I - Migrant Incentive	-	-	-	-	-	-
Safe & Drug Free Schools	1,427	4,421	-	-	-	-
NCLB Title IV Sec. 4126 Grant	-	-	-	-	-	-
Federal Special Ed. - Pre-school Flow Thru	-	-	-	-	-	-
Fed. - Sp. Ed. - IDEA - Flow Thru/Low Incidence	-	-	-	-	-	-
Fed. Special Ed. - IDEA Room & Board	-	-	-	-	-	-
Fed. Special Ed. - IDEA Discretionary	-	-	-	-	-	-
IDEA Improvement Grants - Part D	-	-	-	-	-	-
Emergency Immigrant Assistance	-	-	-	-	-	-
Title II - Teacher Quality	9,722	33,778	-	-	-	-
Technology Literacy Challenge	490	2,298	-	-	-	-
School Renovation	-	-	-	-	-	-
TOTAL	\$ 443,024	\$ 1,770,524	\$ 15,114	\$ 8,009	\$ 8,500	\$ 11,345

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
 DISTRIBUTIVE FUND
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 14
 (CONTINUED)

	Streator Elementary #44	Streator Twp. H.S. # 40	Tonica Comm. Cons. #79	Wallace CC #195	Waltham CC #185	Grand Total
General State Aid - Formula	\$ 6,752,859	\$ 2,926,102	\$ 311,516	\$ 129,504	\$ 305,018	\$ 32,455,227
General State Aid - Hold Harmless	-	-	7,379	-	10,875	726,057
Reorganization Incentive - Attendance	-	-	-	-	2,597	18,857
Reorganization Incentive - Salary Difference	-	-	-	-	3,793	11,871
Reorganization Incentive - Certified Salary	-	-	-	-	72,000	112,000
Fast Growth Grants	-	-	-	-	-	6,313
Other Unrestricted Grants From State Source	-	-	-	-	-	33,212
Special Ed - Pri. Fac. Tui.	153,994	48,927	-	14,838	6,878	580,344
Special Ed. - Extraordinary	262,774	24,791	22,310	28,412	22,064	1,287,415
Special Ed. - Personnel	368,618	108,543	37,076	35,600	21,883	3,048,420
Special Ed. - Orphan - Ind.	52,492	6,204	4,511	-	-	156,157
Special Ed. - Orphan - Smr. Ind.	7,513	-	-	-	-	7,513
Special Ed. - Summer School	14,131	-	-	-	-	28,804
Bilingual Ed. - Dwnst. TPI	-	3,438	-	-	-	54,360
Bilingual Ed. - Dwnst. TBE	-	-	-	-	-	5,269
State Free Lunch & Breakfast	24,635	-	1,460	499	66	88,477
School Breakfast Incentive	18,270	-	-	-	-	33,238
Driver Education	-	29,165	-	-	-	224,237
Transportation - Regular	473,718	62,853	21,837	100,126	74,691	2,555,055
Transportation - Special Ed.	239,336	142,170	5,402	28,521	32,338	1,716,134
ROE School Bus Driver Training	-	-	-	-	-	600
Teacher Leaders	-	-	-	-	-	3,000
Truants Alt./Optional Ed.	-	-	-	-	-	241,462
Alternative Education	-	-	-	-	-	267,414
Early Childhood - State Preschool At Risk	297,123	-	-	-	-	1,618,919
K-6 Reading Improvement	109,610	-	7,501	12,343	11,383	610,123
ROE/ISC Operations	-	-	-	-	-	131,776
Supervisory Expense	-	-	-	-	-	1,000
ADA Safety & Ed. Block Grant	51,947	26,589	4,917	7,810	6,598	464,549
Technology for Schools - Networks	-	-	-	-	-	46,841
Technology -On-Line Curricular Projects	46,411	-	-	-	-	46,411
Orphanage, Tuition	-	-	-	-	-	306,565
IASA - Title VI Formula	11,485	4,146	539	1,202	1,326	100,086
Rural Education Initiative	-	-	-	-	-	25,538
Breakfast Startup	13,500	-	-	-	-	21,600
National School Lunch Program	301,321	37,864	24,639	13,459	-	1,589,302
Special Milk Program	-	-	-	-	3,679	16,770
School Breakfast Program	78,024	-	6,559	-	-	187,802
Childcare Commodity/SFS 13- Adult Day Care	-	-	-	-	-	3,373
Title I - Low Income	630,725	132,064	51,736	53,336	43,132	3,293,985
Reading First Program	-	-	-	-	-	136,141
Title I - Even Start	120,362	-	-	-	-	120,362
Title I - Reading First Part B SEA Funds	-	-	-	-	-	70,156
Title I - Migrant Education	-	-	-	-	-	110,841
Title I - Migrant Incentive	-	-	-	-	-	4,200
Safe & Drug Free Schools	17,267	3,735	1,642	1,507	1,322	95,814
NCLB Title IV Sec. 4126 Grant	-	-	-	-	-	208
Federal Special Ed. - Pre-school Flow Thru	-	-	-	-	-	157,915
Fed. - Sp. Ed. - IDEA - Flow Thru/Low Incidence	-	-	-	-	-	3,595,314
Fed. Special Ed. - IDEA Room & Board	352,851	197,097	-	-	-	918,333
Fed. Special Ed. - IDEA Discretionary	-	-	-	-	-	10,000
IDEA Improvement Grants - Part D	-	-	-	-	-	49,282
Emergency Immigrant Assistance	-	-	-	-	-	1,400
Title II - Teacher Quality	142,016	42,399	12,096	11,140	10,900	873,212
Technology Literacy Challenge	17,433	-	960	1,169	933	83,780
School Renovation	-	-	-	-	-	38,713
TOTAL	\$ 10,558,415	\$ 3,796,087	\$ 522,080	\$ 439,466	\$ 631,476	\$ 58,391,747

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 15

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2005 Expenditures
<u>DEPARTMENT OF EDUCATION</u>			
Education for Homeless Children and Youth			
Passed-Through Lee/Ogle County Regional Office of Education No. 47 <i>McKinney Education for Homeless Children</i>	84.196A	2005-4920-00	\$ 50,450
Reading First State Grants			
Passed-Through Illinois State Board of Education <i>Title I - Reading First Part B SEA Funds</i>	(M) 84.357A	2005-4337-00	15,000
<i>Title I - Reading First Part B SEA Funds</i>	(M) 84.357A	2005-4337-02	42,539
Passed-Through Boone/Winnebago County Regional Office of Education No. 4 <i>Title I - Reading First Part B SEA Funds</i>	(M) 84.357A	2005-4337-03	22,000
<i>Title I - Reading First Part B SEA Funds</i>	(M) 84.357A	2005-4337-04	2,500
			<u>82,039</u>
Education Technology State Grant			
Passed-Through Rock Island County Regional Office of Education No. 49 <i>Technology Enhancing Education - Competitive</i>	(M) 84.318X	2005-4972-00	113,516
Improving Teacher Quality State Grants			
Passed-Through Boone/Winnebago County Regional Office of Education No. 4 <i>Title II - Teacher Quality - Leadership Grant</i>	84.367A	2005-4935-SS	45,659
Para-Professional			
Passed-Through Lee/Ogle County Regional Office of Education No. 47 <i>Para-Professional</i>	84.367A	04-999-99	4,702
			<u>50,361</u>
Other Federal Grants			
Passed-Through Clark, Coles, Cumberland, Douglas, Edgar, Moultrie and Shelby Counties Regional Office of Education No. 11 <i>Standards Aligned Classroom</i>	84.289A	2005-4999-00	21,149
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 317,515</u>
<u>DEPARTMENT OF AGRICULTURE</u>			
National School Lunch Program			
Passed-Through Illinois State Board of Education <i>National School Lunch Program</i>	10.555	2005-4210-00	\$ 933
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 933</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Temporary Assistance for Needy Families			
Passed-Through Illinois State Board of Education <i>Regional Safe Schools - General State Aid - Sec. 18-8 (TANF)</i>	(M) 93.558	2005-3001-93	\$ 54,894
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 54,894</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 373,342</u>

(M) Program was audited as a major program

The accompanying notes are an integral part of this schedule.

LASALLE COUNTY REGIONAL OFFICE OF EDUCATION NO. 35
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Note 1. Reporting Entity Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of LaSalle County Regional Office of Education No. 35 and is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2. Subrecipients

Not Applicable.

Note 3. Description of Major Federal Program

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

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

Technology Enhancing Education - Competitive provides assistance to be used for the Technical Matters program.

Note 4. Non-Cash Assistance

Not Applicable.

Note 5. Amount of Insurance

Not Applicable.

Note 6. Loans or Loan Guarantees Outstanding

Not Applicable.