

**STATE OF ILLINOIS
LOGAN/MASON/MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 38**

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

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LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

AGENCY OFFICIALS

FOR THE YEAR ENDED JUNE 30, 2005

Officials

Regional Superintendent
(current and during the audit period)

Jean Anderson

Assistant Regional Superintendent
(current and during the audit period)

Terri Hauter

Office Locations:

122 North McLean Street
Lincoln, IL 62656

Mason County Courthouse
Havana, IL 62644

LOGAN/MASON/MENARD COUNTIES -- REGIONAL OFFICE OF EDUCATION NO. 38

COMPLIANCE REPORT SUMMARY

FOR THE YEAR ENDED JUNE 30, 2005

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 Report</u> | <u>Prior Report</u> |
|--|--------------------|---------------------|
| Audit Findings | 4 | 1 |
| Repeated Findings | 1 | 0 |
| Prior recommendations implemented or not repeated | 1 | 2 |

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> |
|---|-------------|--|
| Findings (<i>Government Auditing Standards</i>) | | |
| 05-1 | 12 | Controls over Compliance with Laws and Regulations |
| 05-2 | 14 | Repeated from: 04-1. Incorrect posting of Prior Year's Audit Adjustments |
| 05-3 | 15 | Bank Reconciliations Do Not Reconcile to Cash Balance per General Ledger |
| 05-4 | 16 | Combining Different Bank Accounts under one General Ledger Account Code |

Findings and Questioned Costs (*Federal Compliance*)

None.

Prior Findings Repeated (*Government Auditing Standards*)

| | | |
|------|----|--|
| 04-1 | 21 | Unrecorded Cash and Revenue Transactions |
|------|----|--|

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

COMPLIANCE REPORT SUMMARY

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

SUMMARY OF FINDINGS AND QUESTIONED COSTS (continued)

Prior Findings Not Repeated (Federal Compliance)

None.

EXIT CONFERENCE

The findings and recommendations appearing in this report were communicated by Antonio Davila, Jr., CPA, Manager of Hill, Taylor LLC to Sandy Blane, Administrative Assistant of Regional Office of Education No. 38 in an informal exit conference on April 3, 2006. Responses to the recommendations were provided by Sandy Blane in an e-mail dated April 13, 2006.

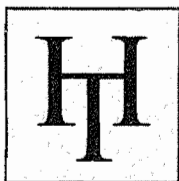
LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

FINANCIAL STATEMENT REPORT SUMMARY

FOR THE YEAR ENDED JUNE 30, 2005

The audit of the accompanying basic financial statements of the Logan/Mason/Menard Counties Regional Office of Education No. 38 was performed by Hill, Taylor LLC.

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



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INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Logan/Mason/Menard Counties Regional Office of Education No. 38, as of and for the year ended June 30, 2005, which collectively comprise the Regional Office of Education No. 38's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Regional Office of Education No. 38'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, each major fund, and the aggregate remaining fund information of the Regional Office of Education No. 38, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2005 on our consideration of the Regional Office of Education #38'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 Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 22 through 27 and 50 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 Regional Office of Education No. 38'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 – Distributive Fund 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 – Distributive Fund, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Hill, Taylor LLC". The signature is written in a cursive, flowing style.

December 21, 2005



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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Logan/Mason/Menard Counties Regional Office of Education No. 38, as of and for the year ended June 30, 2005, which collectively comprise the Regional Office of Education No. 38's basic financial statements and have issued our report thereon dated December 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 Regional Office of Education No. 38's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Regional Office of Education No. 38's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05-2, 05-3, and 05-4.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regional Office of Education No. 38'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 certain immaterial instances of noncompliance which are required by the *Guidelines to Auditing and Reporting for a Regional Office of Education*, to be reported on the accompanying Schedule of Findings and Questioned Costs as item 05-1.

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.

Hill, Taylor LLC

December 21, 2005



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**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 Logan/Mason/Menard Counties Regional Office of Education No. 38 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Regional Office of Education No. 38'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 Regional Office of Education No. 38's management. Our responsibility is to express an opinion on the Regional Office of Education No. 38'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 Regional Office of Education No. 38's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Regional Office of Education No. 38's compliance with those requirements.

In our opinion, the Regional Office of Education #38 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 Regional Office of Education No. 38 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Regional Office of Education No. 38's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 criteria as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*.

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

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

Hill, Taylor UC

December 21, 2005

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2005

Section I – Summary of Auditor’s Results

Financial Statements

| | |
|--|-------------|
| Type of auditors’ report issued: | Unqualified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Reportable condition(s) identified that are not considered to be material weakness (es)? | Yes |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|---|-------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Reportable condition(s) identified that are not considered to be material weakness(es)? | None noted |
| Type of auditors’ report issued on compliance for major programs: | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? | No |

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|--|
| 93.558 | Regional Safe Schools Program (TANF) |
| 93.558 | Regional Safe Schools State Aid Program (TANF) |

| | |
|--|-----------|
| Dollar threshold used to distinguish type A and type B programs: | \$300,000 |
|--|-----------|

| | |
|--|-----|
| Auditee qualified as low risk auditee? | Yes |
|--|-----|

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2005

Section II – Financial Statement Findings

FINDING No. 05-1 – Controls over Compliance with Laws and Regulations

Criteria/specific requirement:

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

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

Condition:

The Regional Office of Education No. 38 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 Office of Education No. 38 signs off on the Annual Financial Reports for all 13 of its districts. In addition, the Regional Office of Education No. 38 receives audit information, including any exceptions, from the Illinois State Board of Education for each of its districts. The Regional Office follows up with each school district before their next audit, in order to ensure that all corrective actions have been made.

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. 38 did not comply with statutory requirements.

Cause:

Because of the size and complexity of the budgets of its districts, as well as the additional duties for which the office is mandated to comply, the Regional Office of Education No. 38 feels that the level of detail undertaken to monitor district financial information is sufficient.

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

Recommendation:

The Regional Office of Education No. 38 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 hiring 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 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.

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(continued)

FOR THE YEAR ENDED JUNE 30, 2005

Section II – Financial Statement Findings (continued)

FINDING No. 05-2 – Incorrect Posting of Prior Year’s Audit Adjustments. (Repeated from: 04-1)

Criteria/specific requirement:

The Regional Office of Education No. 38 is required by the Illinois State Board of Education (ISBE) to maintain financial accounting records in accordance with generally accepted accounting principles which include ensuring that all transactions are recorded.

Condition:

The Regional Office of Education No. 38 had several audit adjustments from the prior year audit that were posted to the incorrect fund accounts.

Effect:

The net effect of the unrecorded transactions was an increase in net assets of \$31,154. When transactions are not recorded, internal controls over financial reporting are weakened and the likelihood of a material misstatement of the financial statements increases significantly. Additionally, the financial records do not reflect the true activity of the agency, thereby reducing the reliability of financial information for management purposes.

Cause:

Regional Office of Education No. 38’s personnel were not aware of the error in posting of prior year’s audit adjustments.

Recommendation:

The Regional Office of Education No. 38 should ensure that all proposed adjustments from this audit are posted correctly and properly recorded in the appropriate fund accounts.

Management’s Response:

This was a similar finding from last year’s audit, but the audit adjustments were not received until late June.

Our new bookkeeping system allows for easier adjustment transactions and corrections.

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

Section II – Financial Statement Findings (continued)

FINDING No. 05-3 – Bank Reconciliations Do Not Reconcile to Cash Balance per General Ledger

Criteria/specific requirement:

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.

Condition:

The Regional Office of Education No. 38 did not reconcile its bank reconciliation to the general ledger. Several line items (i.e., outstanding checks, deposits in transit, adjustments from prior year's audit) were omitted from the reconciliation. Additionally, there were footing errors on the bank reconciliations.

Effect:

When reconciliations do not agree to the general ledger, internal controls over assets are weakened and the likelihood of a material misstatement of the financial statements increases significantly.

Cause:

The incorrect posting of prior year's audit adjustments and the omission of those adjustments in the bank reconciliation resulted in the bank reconciliations not agreeing to the cash balances on the general ledger.

Recommendation:

The Regional Office of Education No. 38 should implement procedures to ensure that all bank accounts are reconciled and all differences between general ledger and bank balances are investigated on a timely basis so that errors and adjustments can be quickly identified and corrected.

Management's Response:

We are aware of this problem and have installed a new bookkeeping system, which is able to balance cash with the bookkeeping entries. We are expecting the new system to correct this finding.

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

Section II – Financial Statement Findings (continued)

FINDING No. 05-4 – Combining Different Bank Accounts under one Account Code

Criteria/specific requirement:

The Illinois State Board of Education's (ISBE) Regional Office of Education Accounting Manual requires Regional Offices to set up separate general ledger account codes for each banking institution.

Condition:

The Regional Office of Education No. 38 recorded several different bank accounts under the same general ledger account code.

Effect:

The posting of different bank accounts into one account code makes it difficult to reconcile cash balances from the bank reconciliations to the general ledger and could result in material misstatements.

Cause:

The Regional Office of Education No. 38 personnel did not follow the Regional Office of Education Accounting Manual in regards to setting up separate general ledger account codes for each banking institution.

Recommendation:

The Regional Office of Education No. 38 should maintain separate cash accounts in the general ledger in order to comply with the requirements set forth by ISBE in the Regional Office of Education Accounting Manual.

Management's Response:

We agree to set-up separate cash accounts in the general ledger to comply with the requirements set forth by ISBE in the Regional Office of Education Accounting Manual.

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

Section III – Findings and Questioned Costs for Federal Awards

Instances of Noncompliance:

None.

Reportable Conditions:

None.

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2005

Corrective Action Plan for current year audit findings.

Finding No. 05-1. Controls over Compliance with Laws and Regulations.

Condition:

The Regional Office of Education No. 38 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 Office of Education No. 38 signs off on the Annual Financial Reports for all 13 of its districts. In addition, the Regional Office of Education No. 38 receives audit information, including any exceptions, from the Illinois State Board of Education for each of its districts. The Regional Office follows up with each school district before their next audit, in order to ensure that all corrective actions have been made.

Plan:

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

Anticipated Date of Completion:

As soon as possible.

Name of Contact Person:

Sandy Blane, Administrative Assistant/Bookkeeper/Office Manager.

Finding No. 05-2. Incorrect Posting of Prior Year's Audit Adjustments.

Condition:

The Regional Office of Education No. 38 had several audit adjustments from the prior year audit that were posted to the incorrect fund accounts.

Plan:

Our new bookkeeping system allows for easier adjustment transactions and corrections.

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

CORRECTIVE ACTION PLAN

(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

Anticipated Date of Completion:

As soon as possible.

Name of Contact Person:

Sandy Blane, Administrative Assistant/Bookkeeper/Office Manager.

Finding No. 05-3. Bank Reconciliations Do Not Reconcile to Cash Balance per General Ledger.

Condition:

The Regional Office of Education No. 38 did not reconcile its bank reconciliation to the general ledger. Several line items (i.e. outstanding checks, deposits in transit, adjustments from prior year's audit) were omitted from the reconciliation. Additionally, there were footing errors on the bank reconciliations.

Plan:

We have a new bookkeeping system and balances should match in the next audit.

Anticipated Date of Completion:

As soon as possible.

Name of Contact Person:

Sandy Blane, Administrative Assistant/Bookkeeper/Office Manager.

Finding No. 05-4. Combining Different Bank Accounts under one Account Code.

Condition:

The Regional Office of Education No. 38 recorded several different bank accounts under the same general ledger account code.

Plan:

We will make any adjustments suggested by the auditor.

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

CORRECTIVE ACTION PLAN

(Continued)

FOR THE YEAR ENDED JUNE 30, 2005

Anticipated Date of Completion:

As soon as possible.

Name of Contact Person:

Sandy Blane, Administrative Assistant/Bookkeeper/Office Manager.

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2005

Summary Schedule of Prior Audit Findings:

FINDING No. 04-1 – Unrecorded Cash and Revenue Transaction

Condition

The Regional Office of Education No. 38 had several audit adjustments from prior year's audit and other current transactions that had not been recorded in the general ledger.

Status

Repeated. Repeated on the Schedule of Findings and Question Costs as item 05-2.

MANAGEMENT'S DISCUSSION AND ANALYSIS

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2005

The Regional Office of Education No. 38 provides this Management’s Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the agency’s financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$296,826 in fiscal year 2004 to \$303,068 in fiscal year 2005, and the General Fund expenditures decreased from \$299,168 in fiscal year 2004 to \$297,453 in fiscal year 2005. The Regional Office of Education No. 38 experienced an increase in the General Fund balance from \$39,134 in fiscal year 2004 to \$44,877 in fiscal year 2005.
- The increase in General Fund revenues was attributable to the increase in County Support revenue, and increase of payments on behalf of the State. The decrease in General Fund expenditures was primarily due to the transfer of the McKinney Homeless Education Program to the Education Fund. The General Fund Balance increased due to a decrease of salaries and related expenditures and other service expenditures which resulted in an excess of revenues over expenditures.
- Education Fund revenues increased from \$324,401 in fiscal 2004 to \$340,684 in fiscal year 2005, and the Education Fund expenditures increased from \$316,725 in fiscal year 2004 to \$341,741 in fiscal year 2005. The Education Fund balance experienced a decrease from \$9,115 to \$8,061. The increase in Education Fund revenues and expenditures was due to addition of McKinney Homeless Education Program to the Education Fund. The Education Fund balance decreased due to an increase in salaries and related expenditures and increase in purchase services which resulted in a deficiency of revenues under expenditures.

USING THIS ANNUAL REPORT

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

- Management’s Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the agency’s financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Regional Office of Education No. 38 as a whole and present an overall view of the agency’s finances.
- The Fund Financial Statements tell how governmental services were financed in the short-term, as well as what remains for future spending. Fund financial statements report the agency’s operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

USING THIS ANNUAL REPORT (Continued)

- Supplemental Information further explains and supports the financial statements with a comparison of the agency’s detailed information for each category of funds and provides detailed information about the nonmajor funds.

REPORTING THE OFFICE AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The Government-wide statements report information about the Regional Office of Education No. 38 as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the agency’s assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-wide statements report the agency’s net assets and how they have changed. Net assets – the difference between the assets and liabilities – are one way to measure the agency’s financial health or position.

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

Fund Financial Statements

The fund financial statements provide detailed information about the agency’s funds, focusing on its most significant or “major” funds. Funds are accounting devices, which allow the tracking of specific sources of funding and spending on particular programs. State law requires the establishment of funds. The Regional Office of Education No. 38 established other funds to control and manage money for particular purposes.

The agency has two kinds of Fund classifications:

- 1) Governmental funds account for all the agency’s services. 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 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 agency’s programs. The agency’s Governmental Funds include the General Fund and the Special Revenue Funds. The required financial statements for Governmental Funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

LOGAN/MASON/MENDARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

MANAGEMENT’S DISCUSSION AND ANALYSIS

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

Fund Financial Statements (Continued)

- 2) Fiduciary Funds account for services for which the Regional Office of Education No. 38 acts as a fiscal agent for individuals and private or governmental organizations. The fiduciary funds’ required financial statements include a Statement of Fiduciary Net Assets.

A summary reconciliation between the Government-wide financial statements and the fund financial statements is included in the fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The Regional Office of Education No. 38’s net assets at the end of fiscal year 2005 totaled \$197,323. At the end of fiscal year 2004, the net assets were \$194,421. The analysis that follows provides a summary of the agency’s net assets at June 30, 2005 and 2004 for governmental activities.

CONDENSED STATEMENT OF NET ASSETS

June 30, 2005 and 2004

Governmental Activities

| | <u>2005</u> | <u>2004</u> |
|---|--------------------------|--------------------------|
| Current Assets | \$ 171,425 | \$ 162,497 |
| Capital Assets | 25,898 | 31,924 |
| Total Assets | <u>\$ 197,323</u> | <u>\$ 194,421</u> |
| Net Assets | | |
| Investment in capital assets, net of related debt | \$ 25,898 | \$ 31,924 |
| Unrestricted | 171,425 | 162,497 |
| Total Net Assets | <u>\$ 197,323</u> | <u>\$ 194,421</u> |

The Regional Office of Education No. 38’s net assets increased by \$2,902 from fiscal year 2004 to fiscal year 2005. The increase occurred primarily in the Governmental Funds as a result of increased county revenue from Mason County and Menard County.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

FOR THE YEAR ENDED JUNE 30, 2005

CHANGES IN NET ASSETS

The following analysis shows the changes in net assets for the years ended June 30, 2005 and 2004.

| | <u>Governmental Activities</u> | | <u>Total</u> | |
|------------------------------------|--------------------------------|-------------------|-------------------|-------------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Revenues: | | | | |
| Program revenues: | | | | |
| Operating grants and contributions | \$ 343,686 | \$ 338,740 | \$ 343,686 | \$ 338,740 |
| General Revenues: | | | | |
| Local sources | 141,224 | 118,678 | 141,224 | 118,678 |
| On-behalf payments | 180,095 | 176,799 | 180,095 | 176,799 |
| Interest | 874 | 404 | 874 | 404 |
| | <u>665,879</u> | <u>634,621</u> | <u>665,879</u> | <u>634,621</u> |
| Expenses: | | | | |
| Programs expenses: | | | | |
| Salaries and benefits | 176,194 | 170,980 | 176,194 | 170,980 |
| Purchased services | 292,760 | 274,314 | 292,760 | 274,314 |
| Supplies and materials | 4,441 | 5,747 | 4,441 | 5,747 |
| Other objects | 3,461 | 2,869 | 3,461 | 2,869 |
| Depreciation | 6,026 | 6,027 | 6,026 | 6,027 |
| Administrative expenses: | | | | |
| On- behalf payments - state | 180,095 | 176,799 | 180,095 | 176,799 |
| Total expenses | <u>662,977</u> | <u>636,736</u> | <u>662,977</u> | <u>636,736</u> |
| Changes in net assets | 2,902 | (2,115) | 2,902 | (2,115) |
| Net assets, beginning of year | <u>194,421</u> | <u>196,536</u> | <u>194,421</u> | <u>196,536</u> |
| Net assets, end of year | <u>\$ 197,323</u> | <u>\$ 194,421</u> | <u>\$ 197,323</u> | <u>\$ 194,421</u> |

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

MANAGEMENT’S DISCUSSION AND ANALYSIS

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

Governmental Activities

Revenues for governmental activities were \$665,879 and expenses were \$662,977.

Financial Analysis of the Regional Office of Education No. 38 Funds

As previously noted, the Regional Office of Education No. 38 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The agency’s Governmental Funds reported combined fund balances of \$171,425. This is \$8,928 above last year’s ending fund balance of \$162,497. The primary reasons for the increase were due to an increase in county support and grant funds recorded during fiscal year 2005.

Governmental Fund Highlights

- The County support requested for the Regional Office of Education No. 38 grew by approximately 9% over the last two County budget years.
- The Regional Office of Education No. 38 was successful in obtaining the McKinney Education for Homeless Children Grant.

BUDGETARY HIGHLIGHTS

The Regional Office of Education No. 38 annually adopts budgets for several funds when required by the granting agency. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the three County Boards for their approval. The Office Operations Budget covers a fiscal year of December 1 through November 30.

All grant budgets are prepared by the Regional Office of Education No. 38 and submitted to the granting agency for approval; however, they are not legally required or adopted. Amendments must be submitted under guidelines established by the granting agency. Schedules showing the budget amounts compared to the agency’s actual financial activity are included in the supplementary information of this report.

Capital Assets

Capital Assets of the Regional Office of Education No. 38 include office equipment, computers, audio-visual equipment and office furniture. The Regional Office of Education No. 38 maintains an inventory of capital assets, which have been accumulated over time. The decrease for fiscal year 2005 was \$6,026, a result of equipment being depreciated. There were no dispositions during the fiscal year. The Regional Office of Education No. 38’s capital asset balance for fiscal year 2005 is \$25,898, which is the total original cost of the capital assets less accumulated depreciation. More detailed information about capital assets is available in Note 6 to the financial statements.

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

MANAGEMENT'S DISCUSSION AND ANALYSIS

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

- The State of Illinois funding level used in the calculation has increased to \$5,164 per student.
- The interest rate on investments remains low and will impact interest earned.
- Truancy Programs' funding has been reduced across the State.
- The School Services funding levels have been reduced.
- County Board support of the Regional Office of Education No. 38 grew by approximately .007% to an additional \$775 for the period from December 1, 2005 to November 30, 2006.
- The Regional Office of Education No. 38 has implemented a new bookkeeping program.
- The number of students served by the Regional Office of Education No. 38 is expected to slightly decrease.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the agency's citizens, taxpayers, clients, and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the Regional Office of Education No. 38, at 122 North McLean Street, P.O. Box 460, Lincoln, IL 62656.

Basic Financial Statements

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

STATEMENT OF NET ASSETS

JUNE 30, 2005

| | <u>Primary government</u> | |
|---|---------------------------|-------------------|
| | <u>Governmental</u> | <u>Total</u> |
| | <u>activities</u> | |
| Assets: | | |
| Current assets: | | |
| Cash | \$ 163,207 | \$ 163,207 |
| Due from other government agencies | <u>8,218</u> | <u>8,218</u> |
| Total current assets | 171,425 | 171,425 |
| Noncurrent assets: | | |
| Capital assets, being depreciated, net | <u>25,898</u> | <u>25,898</u> |
| Total assets | <u>\$ 197,323</u> | <u>\$ 197,323</u> |
| Net assets: | | |
| Investment in capital assets, net of related debt | \$ 25,898 | \$ 25,898 |
| Unrestricted | <u>171,425</u> | <u>171,425</u> |
| Total net assets | <u>\$ 197,323</u> | <u>\$ 197,323</u> |

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

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

| | <u>Expenses</u> | <u>Program revenues Operating grants and contributions</u> | <u>Net (expense)/revenue and changes in net assets Primary government</u> | |
|-------------------------------|-------------------|--|---|-------------------|
| | | | <u>Governmental activities</u> | <u>Total</u> |
| Functions/programs: | | | | |
| Governmental activities: | | | | |
| Instructional services: | | | | |
| Salaries | \$ 156,320 | \$ 112,665 | \$ (43,655) | \$ (43,655) |
| Employee benefits | 19,874 | 14,324 | (5,550) | (5,550) |
| Purchased services | 292,760 | 211,002 | (81,758) | (81,758) |
| Supplies and materials | 4,441 | 3,201 | (1,240) | (1,240) |
| Other objects | 3,461 | 2,494 | (967) | (967) |
| Depreciation | 6,026 | - | (6,026) | (6,026) |
| Administrative: | | | | |
| On-behalf payments - State | 180,095 | - | (180,095) | (180,095) |
| Total governmental activities | <u>\$ 662,977</u> | <u>\$ 343,686</u> | <u>(319,291)</u> | <u>(319,291)</u> |
| General revenues: | | | | |
| Local sources | | | 141,224 | 141,224 |
| Interest income | | | 874 | 874 |
| On behalf payments - State | | | 180,095 | 180,095 |
| Total general revenues | | | <u>322,193</u> | <u>322,193</u> |
| Change in net assets | | | 2,902 | 2,902 |
| Net assets - July 1, 2004 | | | <u>194,421</u> | <u>194,421</u> |
| Net assets - June 30, 2005 | | | <u>\$ 197,323</u> | <u>\$ 197,323</u> |

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

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2005

| | General fund | Education fund | Institute fund | G.E.D. fund | Other nonmajor funds | Total governmental funds |
|--|------------------|-------------------|-------------------|------------------|----------------------------|--------------------------------|
| Assets: | | | | | | |
| Cash | \$ 43,859 | \$ 861 | \$ 77,866 | \$ 25,449 | \$ 15,172 | \$ 163,207 |
| Due from other government agencies | 1,018 | 7,200 | - | - | - | 8,218 |
| Total assets | \$ 44,877 | \$ 8,061 | \$ 77,866 | \$ 25,449 | \$ 15,172 | \$ 171,425 |
| Fund Balances: | | | | | | |
| Unreserved, reported in: | | | | | | |
| General fund | \$ 44,877 | \$ - | \$ - | \$ - | \$ - | \$ 44,877 |
| Special revenue fund | - | 8,061 | 77,866 | 25,449 | 15,172 | 126,548 |
| Total fund balances | 44,877 | 8,061 | 77,866 | 25,449 | 15,172 | 171,425 |
| Total liabilities and fund balances | \$ 44,877 | \$ 8,061 | \$ 77,866 | \$ 25,449 | \$ 15,172 | \$ 171,425 |

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

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2005

| | |
|---|--------------------------|
| Total fund balances - governmental funds | \$ 171,425 |
| 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>25,898</u> |
| Net assets of governmental activities | <u><u>\$ 197,323</u></u> |

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

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

| | General fund | Education fund | Institute fund | G.E.D. fund | Other nonmajor funds | Total governmental funds |
|--|------------------|-------------------|-------------------|------------------|----------------------------|--------------------------------|
| Revenue: | | | | | | |
| Federal sources | \$ - | \$ 66,640 | \$ - | \$ - | \$ - | \$ 66,640 |
| State sources | - | 274,044 | - | - | 3,002 | 277,046 |
| Local sources | 122,973 | - | 11,034 | 5,430 | 1,787 | 141,224 |
| On behalf payments - State | 180,095 | - | - | - | - | 180,095 |
| Total revenue | 303,068 | 340,684 | 11,034 | 5,430 | 4,789 | 665,005 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Salaries | 85,828 | 70,492 | - | - | - | 156,320 |
| Employee benefits | 11,259 | 8,615 | - | - | - | 19,874 |
| Purchased services | 15,925 | 261,437 | 10,818 | 2,637 | 1,943 | 292,760 |
| Supplies and materials | 2,889 | 1,197 | 39 | - | 316 | 4,441 |
| Other objects | 1,457 | - | 375 | - | 1,629 | 3,461 |
| Administrative: | | | | | | |
| On-behalf payments - State | 180,095 | - | - | - | - | 180,095 |
| Total expenditures | 297,453 | 341,741 | 11,232 | 2,637 | 3,888 | 656,951 |
| Excess/(deficiency) of revenue over/(under) expenditures | 5,615 | (1,057) | (198) | 2,793 | 901 | 8,054 |
| Other financing sources/(uses): | | | | | | |
| Transfers in | - | 2 | 5,000 | - | - | 5,002 |
| Transfers out | (2) | - | (5,000) | - | - | (5,002) |
| Interest | 130 | 1 | 649 | - | 94 | 874 |
| Total other financing sources/(uses) | 128 | 3 | 649 | - | 94 | 874 |
| Net changes in fund balances | 5,743 | (1,054) | 451 | 2,793 | 995 | 8,928 |
| Fund balances - July 1, 2004 | 39,134 | 9,115 | 77,415 | 22,656 | 14,177 | 162,497 |
| Fund balances - June 30, 2005 | \$ 44,877 | \$ 8,061 | \$ 77,866 | \$ 25,449 | \$ 15,172 | \$ 171,425 |

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

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances - governmental funds \$ 8,928

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.

Depreciation expense (6,026)

Change in net assets of governmental activities \$ 2,902

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

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2005

| | <u>Agency funds</u> |
|------------------------------------|---------------------|
| Assets: | |
| Cash | \$ 3,219 |
| Due from other government agencies | <u>2,126</u> |
| Total assets | <u>\$ 5,345</u> |
| Liabilities: | |
| Due to other government agencies | <u>\$ 5,345</u> |
| Total liabilities | <u>\$ 5,345</u> |

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

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

1. Organization Description

The Regional Office of Education No. 38 was formed under the provisions of the State of Illinois, Illinois Board of Education.

The Logan, Mason, and Menard Regional Office of Education No. 38 is an entity that is a result of two Educational Service Regions becoming a Regional Office of Education as of August 1, 1979. The Logan/Mason/Menard Counties Regional Office of Education No. 38 operates under the School Code (105 ILCS 5/3 and 5/3A). The Regional Office of Education No. 38 encompasses Logan, Mason, and Menard Counties, Illinois. A Regional Superintendent of Schools serves as Chief Administrative Officer of the Regional Office of Education No. 38 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 to school districts from general state aid, state categorical grants, and various other sources.

The Regional Superintendent is charged with responsibility for township fund lands; registration of the names of applicants for scholarships to State-controlled universities; examinations and related duties; visitation of public schools; direction of teachers and school officers; to serve as the official advisor and assistant of school officers and teachers; to conduct teachers institutes as well as to aid and encourage the formation of other teacher meetings and assist in their management; evaluate the schools in the region; examine school treasurer's books, accounts, and vouchers; examine evidence of indebtedness; file and keep the returns of elections required to be returned to the Regional Superintendent's office; and file and keep the reports and statements returned by school treasurers and trustees.

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before September 30; maintenance of a map and numbering of the Regional Office of Education No. 38's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State laws; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related actions as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

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

The Regional Superintendent is also responsible for apportionment and payments of funds received from the State for the districts in the region, or see that no payments are made unless the treasurer has filed or renewed appropriate bond and that the district has certified publication of the annual financial report. The Regional Superintendent is required to provide opinions and advice related to controversies under school law.

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

NOTES TO FINANCIAL STATEMENTS

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

1. Organization Description (continued)

For the period ended June 30, 2005, the Regional Office of Education No. 38 applied for, received and administered State and Federal programs and grants in assistance and support of the educational activities of the school districts of the Regional Office of Education No. 38. Such activities are reported as a single major special revenue fund (Education Fund).

2. Summary of Significant Accounting Policies

The financial statements of the Regional Office of Education No. 38 have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

a. Financial Reporting Entity

The Regional Office of Education No. 38's reporting entity includes all related organizations for which the Regional Office of Education No. 38 exercises oversight responsibility.

The Regional Office of Education No. 38 has developed criteria to determine whether outside agencies with activities that benefit the citizens of the Regional Office of Education No. 38, including joint agreements that serve pupils from numerous school districts, should be included within its financial reporting entity. The criteria includes but is not limited to, whether the Regional Office of Education No. 38 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The Regional Office of Education No. 38 acts as the administrative agent for the Regional Vocational Delivery System (a joint agreement). As administrative agent, the Regional Office of Education No. 38 receives and distributes the Regional Vocational Delivery System's funding.

The joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the Regional Office of Education No. 38 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education No. 38 is not aware of any entity, which would exercise such oversight as to result in the Regional Office of Education No. 38 being considered a component unit of the entity.

NOTES TO FINANCIAL STATEMENTS

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

2. Summary of Significant Accounting Policies (continued)

b. Basis of Presentation

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. 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 effects of interfund activity have been removed from these statements. Governmental activities include programs supported by State and Federal grants and other intergovernmental revenues.

The Regional Office of Education No. 38's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental activities for the Regional Office of Education No. 38 accompanied by a total column. These statements are presented on an "economic resources" measurement as prescribed by GASB Statement No. 34. All of the Regional Office of Education No. 38's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Assets. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges for services, and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, such as payables, receivables and transfers. Interfund activities between governmental funds appear as due to/due from on the governmental fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances. All interfund transactions between governmental funds are eliminated on the government-wide financial statements. All internal balances in the Statement of Net Assets have been eliminated.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain differences in fund balances and changes in fund balances as presented in these statements to the net assets

NOTES TO FINANCIAL STATEMENTS

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

2. Summary of Significant Accounting Policies (continued)

b. Basis of Presentation (continued)

Governmental Fund Financial Statements (continued)

and changes in net assets presented in the government-wide financial statements.

The government fund financial statements have been prepared in accordance with generally accepted accounting principles on the modified accrual basis. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for prepaid expenses and other long-term obligations, which are recognized when paid.

c. Measurement Focus and Basis of Accounting

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

The governmental funds financial statements focus on the measurement of spending or “financial flow” and the determination of changes in financial position, rather than upon net income determination. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) is considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during the period.

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 to the Regional Office of Education No. 38, therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenue at the time of receipt or earlier if the susceptible to accrual criteria are met.

NOTES TO FINANCIAL STATEMENTS

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

2. Summary of Significant Accounting Policies (continued)

d. Fund Accounting

The Regional Office of Education No. 38 uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Regional Office of Education No. 38 uses governmental and fiduciary funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are reported. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as a fund balance.

As prescribed by GASB 34, governmental fund reporting focuses on the major funds, rather than fund type. There is a two-step process for determining if a fund should be reported as a major fund: (1) total assets, liabilities, revenues or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for the fund type, and (2) total assets, liabilities, revenues or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and proprietary funds combined. Funds that do not meet the major fund determination requirements are reported in aggregate as nonmajor funds. The Regional Office of Education No. 38 has presented all major funds that meet the above qualifications.

The Regional Office of Education No. 38 reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Regional Office of Education No. 38. It is used to account for the expenditures, which benefit all school districts in the region except those required to be accounted for in other funds. General funds include the following:

Operating Fund – This fund accounts for the support that provides funding for the Regional Office of Education No. 38.

Indirect Cost Fund – This fund accounts for the indirect costs for the Regional Office of Education No. 38.

Major Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than fiduciary or major capital projects) that are legally restricted to expenditures for specified purposes. Major special revenue funds include the following:

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

NOTES TO FINANCIAL STATEMENTS

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

2. Summary of Significant Accounting Policies (continued)

d. Fund Accounting (continued)

Education Fund – This fund is used to account for various grant and education enhancement programs as follows:

Truants Alternative/Optional Education – This fund is used to account for a grant that provides truancy guidance and alternative education options for applicable students within the region.

Regional Safe Schools and Regional Safe Schools State Aid – These funds are for an alternative program for disruptive youths in grades 6-12. Students eligible for these programs must be eligible for suspension or expulsion by a local school district.

McKinney Education for Homeless Children – This program facilitates the enrollment, attendance and educational success of homeless children and youths so that they have an opportunity to meet the same challenging state standards to which all students are held.

The Hancock/McDonough Regional Office of Education receives the McKinney Homeless funds and then sends the Regional Office of Education No. 38 an approved budgeted portion of the grant to pay for a Homeless Coordinator.

National School Lunch Program – This is a pass through fund to account for the National School Lunch Program for the districts within the region. This fund was audited separately by other accountants.

General Education Development Fund – This fund is used to account for the administration of General Education Development testing for applicants within the region.

Institute Fund – This fund is used to account for activities associated with the certification and recertification process for teachers.

The Institute Fund receives money from Teacher Certification fees to be used for Teacher in-service Workshops or other items pertaining to the teachers in the region. Checks are written out of this account. The Institute Fund also includes an investment account which is a 7-day CD at a local bank. The investment account receives no other money, except by transfer, and writes no checks.

The Institute Fund shares a bank account with GED and Bus Driver Funding.

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

NOTES TO FINANCIAL STATEMENTS

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

2. Summary of Significant Accounting Policies (continued)

d. Fund Accounting (continued)

The Regional Office of Education No. 38 reports the following nonmajor governmental funds:

Nonmajor Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than fiduciary or major capital projects) that are legally restricted to expenditures for specified purposes. Nonmajor special revenue funds include the following:

Bus Driver Fund – This fund is used to account for the testing and training of bus drivers for the districts within the region.

Supervisory Fund – This fund accounts for proceeds provided to the Regional Superintendent by the Illinois State Board of Education to be used for travel and related purposes.

Media Materials Fund – This fund is used to account for library and video materials that are available to all the districts in the region.

Substitute Teacher Fingerprinting Fund – This fund is used to account for fingerprinting services for new substitute teachers in the region.

Fiduciary Funds

Agency Funds – Agency Funds are used to account for assets held by the Regional Office of Education No. 38 in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Distributive Fund – This fund is used to track the flow-through of funds from the Illinois State Board of Education (ISBE) to the recipients and the programs that the Regional Office of Education No. 38 serves as the administrative agent.

Regional Vocational Delivery System Fund (RVDS) – The Logan/Mason/Menard Educational Service Region Lincolnland Regional Vocational Delivery System consists of 11 Logan/Mason/Menard Counties schools whose students generate vocational credits which are reimbursed through a CTE grant and Perkins grant. The RVDS' governing board consists of the 11 superintendents and the Regional Superintendent who hire a RVDS director and special population's coordinator, both of whom oversee the compliance with the grants and distribution of grant allocations.

Interest earned on distributive funds is distributed to schools and other organizations on a bi-annual basis.

NOTES TO FINANCIAL STATEMENTS

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

2. Summary of Significant Accounting Policies (continued)

e. Fund Balances and Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

The Statement of Net Assets include the following:

Investment in Capital Assets, net of related debt – the component of net assets that reports the difference between capital assets less both accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of these assets.

Unrestricted – the difference between the assets and liabilities that is not reported as Net Assets Invested in Capital Assets, net of Related Debt.

f. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit. The Regional Office of Education No. 38 considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

g. Inventory

Inventory is not recorded. The cost is recorded as an expenditure at the time individual inventory items are purchased.

h. Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|----------------------------|---------------|
| Office equipment furniture | 8 – 15 years |
| Computer equipment | 5 – 8 years |
| Leasehold improvements | 15 – 25 years |

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

NOTES TO FINANCIAL STATEMENTS

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

2. Summary of Significant Accounting Policies (continued)

i. Compensated Absences

Employees who work 12 calendar months earn up to 20 vacation days for a full year of service. The accumulated total of vacation days may never exceed 30 days. In the event that a program terminates, no vacation days will be honored past the ending date of the program. Employees who work less than 12 calendar months per year do not earn vacation days.

Employees receive up to 12 sick days annually and the unused portion is accumulated up to 180 days and carried forward. Employee sick leave is recorded when paid. Upon termination, employees do not receive any accumulated sick leave pay and therefore, no liability is accrued.

j. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

k. Budget Information

The Regional Office of Education No. 38 acts as the administrative agent for certain grant programs that are accounted for in the General and Education Funds. Certain programs have separate budgets and are required to report to the Illinois State Board of Education; however, none of the budgets have been legally adopted, nor are they required to. The General Fund and certain programs within the Special Revenue Fund do not have separate budgets. Comparisons of budgeted and actual results are presented as supplemental information. Budget information has been provided in supplementary schedules for the Operating Fund, Truant Alternative/Optional Education Fund and McKinney Education for Homeless Children.

3. Deposits and Investments

a. Deposits

The Regional Office of Education No. 38 is allowed to invest in securities as authorized by 30 ILCS-235/2 and 6 and 105 ILCS-5/8-7. During fiscal year 2005, the Regional Office of Education No. 38 adopted GASB Statement 40, *Deposit and Investment Risk Disclosures*.

At June 30, 2005, the carrying amount and bank balance of the Regional Office of Education No. 38's Governmental and Agency Fund deposits was \$166,426 and \$176,386, respectively. All deposits are fully insured through the Federal Depository Insurance Corporation (FDIC). The deposits are categorized in accordance with risk factors created by governmental reporting standards.

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

NOTES TO FINANCIAL STATEMENTS

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

3. Deposits and Investments (Continued)

b. Investments

The Regional Office of Education No. 38 does not have a formal investment policy. As of June 30, 2005, the Regional Office of Education No. 38 did not have investments.

4. Due to Other Government Agencies

The Regional Office of Education No. 38's Distributive Fund have funds due to other governmental agencies which consists of the following:

| | |
|------------------------------|-----------------|
| Accumulated Interest Payable | <u>\$ 5,345</u> |
|------------------------------|-----------------|

5. Due from Other Government Agencies

The Regional Office of Education No. 38's General and Education Funds have funds due from another government agency which consists of the following:

Due from other government agencies:

General Fund

| | |
|--|---------|
| Regional Vocational Delivery System and others | \$1,018 |
|--|---------|

Education Fund

| | |
|-----------------------------------|---------|
| Illinois State Board of Education | \$7,200 |
|-----------------------------------|---------|

Agency Fund

| | |
|---------------------------|---------|
| Other government agencies | \$2,126 |
|---------------------------|---------|

LOGAN/MASON/MENARD COUNTIES– REGIONAL OFFICE OF EDUCATION NO. 38

NOTES TO FINANCIAL STATEMENTS
(continued)

FOR THE YEAR ENDED JUNE 30, 2005

6. Capital Assets

In accordance with GASB Statement No. 34, the Regional Office of Education No. 38 has reported capital assets in the government-wide Statement of Net Assets. Purchases are reported as capital outlay in the government fund statements. The following table provides a summary of changes in capital assets for the year ended June 30, 2005:

| | <u>Balance July 1, 2004</u> | <u>Additions</u> | <u>Deletions</u> | <u>Net transfers</u> | <u>Balance June 30, 2005</u> |
|--|---------------------------------|------------------|------------------|--------------------------|----------------------------------|
| Governmental activities: | | | | | |
| <u>General Fund</u> | \$ 29,879 | \$ - | \$ - | \$ - | \$ 29,879 |
| ROE Operations | | | | | |
| <u>Education Fund</u> | | | | | |
| Truants Alternative/ Optional Education | <u>23,071</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>23,071</u> |
| <u>Governmental Funds</u> | | | | | |
| Total Assets | <u>\$ 52,950</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 52,950</u> |

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

NOTES TO FINANCIAL STATEMENTS
(continued)

FOR THE YEAR ENDED JUNE 30, 2005

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expenses for the year ended June 30, 2005 of \$6,026 was charged to governmental activities. The following table provides a summary of changes in accumulated depreciation for the year ended June 30, 2005:

6. Capital assets (continued)

| | <u>Balance July 1, 2004</u> | <u>Additions</u> | <u>Deletions</u> | <u>Net transfers</u> | <u>Balance June 30, 2005</u> |
|--|---------------------------------|------------------|------------------|--------------------------|----------------------------------|
| Governmental activities: | | | | | |
| <u>General Fund</u> | \$ 11,281 | \$ 3,656 | \$ - | \$ - | \$ 14,937 |
| ROE Operations | | | | | |
| <u>Education Fund</u> | | | | | |
| Truants Alternative/ Optional Education | <u>9,745</u> | <u>2,370</u> | <u>-</u> | <u>-</u> | <u>12,115</u> |
| Governmental funds total accumulated depreciation | <u>\$ 21,026</u> | <u>\$ 6,026</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 27,052</u> |

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

NOTES TO FINANCIAL STATEMENTS

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

6. Capital Assets (continued)

Investment in capital assets is the component of net assets that reports capital assets net of accumulated depreciation. The following table provides a summary of changes in investment in fixed assets for the year ended June 30, 2005:

| | <u>Balance</u> <u>July 1, 2004</u> | <u>Additions</u> | <u>Deletion</u> | <u>Net</u> <u>Transfer</u> | <u>Balance</u> <u>June 30, 2005</u> |
|---|---------------------------------------|-------------------|-----------------|-------------------------------|--|
| Governmental activities: | | | | | |
| <u>General Fund</u> | \$ 17,969 | \$ (3,656) | \$ - | \$ - | \$ 14,313 |
| ROE Operations | | | | | |
| <u>Education Fund</u> | | | | | |
| Truants Alternative/ Optional Education | <u>13,955</u> | <u>(2,370)</u> | <u>-</u> | <u>-</u> | <u>11,585</u> |
| Governmental funds investment in capital assets | <u>\$ 31,924</u> | <u>\$ (6,026)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 25,898</u> |

7. Defined Benefit Pension Plan

The Regional Office of Education No. 38'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 is an agent multiple-employer plan that 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 http://www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The Regional Office of Education No. 38 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2004 was 9.82% of payroll. The Regional Office of Education No. 38's 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.

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

NOTES TO FINANCIAL STATEMENTS

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

7. Defined Benefit Pension Plan (continued)

For December 31, 2004, the Regional Office of Education No. 38's annual pension cost of \$14,979 was equal to the Regional Office of Education No. 38's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) project 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.

Trend Information

| <u>Actuarial Valuation Date</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-------------------------------------|--------------------------------------|--|-----------------------------------|
| 12/31/2004 | 14,979 | 100% | \$ - |
| 12/31/2003 | 3,144 | 100% | - |
| 12/31/2002 | 3,932 | 100% | - |
| 12/31/2001 | 8,845 | 100% | - |
| 12/31/2000 | 3,697 | 100% | - |
| 12/31/1999 | 2,876 | 100% | - |
| 12/31/1998 | 5,979 | 100% | - |
| 12/31/1997 | 1,795 | 100% | - |
| 12/31/1996 | 1,735 | 100% | - |
| 12/31/1995 | 1,669 | 100% | - |

8. Risk Management

The Regional Office of Education No. 38 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation and natural disasters.

9. On Behalf Payments

The State of Illinois paid the following salaries on behalf of the Regional Office of Education No. 38:

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

NOTES TO FINANCIAL STATEMENTS

(continued)

FOR THE YEAR ENDED JUNE 30, 2005

9. On Behalf Payments (continued)

| | | |
|---|----|-----------------------|
| Regional Superintendent | \$ | 84,737 |
| Regional Superintendent fringe benefits (including State paid insurance) | | 9,822 |
| Assistant Regional Superintendent | | 76,263 |
| Assistant Regional Superintendent fringe benefits (including State paid insurance) | | <u>9,273</u> |
| Total | \$ | <u><u>180,095</u></u> |

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

These amounts have been recorded in the accompanying financial statements as State revenue and expenditures.

10. Compensated Absences

Vacation and sick pay amounts are recognized when paid. Accumulated unpaid employee vacation and sick pay that was earned but unused at June 30, 2005 was not significant and therefore not recorded.

11. Transfers

The following is a summary of transfers in and out for June 30, 2005:

| <u>Fund</u> | <u>Transfer In</u> | <u>Transfer Out</u> |
|---------------------|--------------------|---------------------|
| General Fund | \$ - | \$ 2 |
| Education Fund | 2 | - |
| Institute Fund | | |
| Teacher Certificate | 5,000 | - |
| Investment Fund | <u>-</u> | <u>5,000</u> |
| Totals | <u>\$ 5,002</u> | <u>\$ 5,002</u> |

The transfers in the Education Fund and General Fund – relates to McKinney Education for Homeless Children Fund recognized in the General Fund and transferred to the Education Fund. The transfers in the Institute Fund relates to funds transferred from the Investment Institute Fund to fund Teacher Certificate Program for program expenditures.

**Required Supplementary Information
(Other than Management's Discussion and Analysis)**

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

ILLINOIS MUNICIPAL RETIREMENT FUND

JUNE 30, 2005

| Actuarial valuation date | Actuarial value of assets (a) | Actuarial accrued liability (AAL) entry age (b) | Unfunded AAL (UAAL) (b-a) | Unfunded funded Ratio (a/b) | Covered payroll (c) | UAAL as a percentage of covered payroll ((b-a)/c) |
|--------------------------|-------------------------------|---|---------------------------|-----------------------------|---------------------|---|
| 12/31/2004 | \$ 493,342 | \$ 468,809 | \$ (24,533) | 105.23% | \$ 152,536 | 0.00% |
| 12/31/2003 | 472,049 | 430,291 | (41,758) | 109.70% | 105,432 | 0.00% |
| 12/31/2002 | 445,952 | 441,715 | (4,237) | 100.96% | 196,614 | 0.00% |
| 12/30/2001 | 545,488 | 457,673 | (87,815) | 119.19% | 227,369 | 0.00% |
| 12/31/2000 | 495,281 | 397,498 | (97,783) | 124.60% | 243,251 | 0.00% |
| 12/31/1999 | 494,878 | 390,492 | (104,386) | 126.73% | 193,076 | 0.00% |
| 12/31/1998 | 394,389 | 328,491 | (65,898) | 120.06% | 186,838 | 0.00% |
| 12/31/1997 | 343,693 | 320,224 | (23,469) | 107.33% | 186,955 | 0.00% |
| 12/31/1996 | 300,206 | 279,185 | (21,021) | 107.53% | 186,440 | 0.00% |
| 12/31/1995 | 335,334 | 225,990 | (109,344) | 148.38% | 179,509 | 0.00% |

On a market value basis, the actuarial value of assets as of December 31, 2004 is \$494,508.

On a market basis, the funded ratio would be 105.48%.

*** Digest of changes**

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

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

Other Supplementary Information

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

COMBINING SCHEDULE OF ACCOUNTS

GENERAL FUND

JUNE 30, 2005

| | <u>Operating fund</u> | <u>Indirect cost fund</u> | <u>Total</u> |
|---|---------------------------|-------------------------------|------------------|
| Assets: | | | |
| Cash | \$ 38,869 | \$ 4,990 | \$ 43,859 |
| Due from other government agencies | 1,018 | - | 1,018 |
| Total assets | <u>\$ 39,887</u> | <u>\$ 4,990</u> | <u>\$ 44,877</u> |
| Liabilities and fund balance: | | | |
| Fund balance, unreserved and undesignated | <u>\$ 39,887</u> | <u>\$ 4,990</u> | <u>\$ 44,877</u> |
| Total liabilities and fund balance | <u>\$ 39,887</u> | <u>\$ 4,990</u> | <u>\$ 44,877</u> |

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

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

GENERAL FUND ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2005

| | Operating fund | Indirect cost fund | Total |
|---|-------------------|-----------------------|-----------|
| Revenue: | | | |
| Federal sources | \$ - | \$ - | \$ - |
| Local sources | 116,487 | 6,486 | 122,973 |
| On-behalf payments - State | 180,095 | - | 180,095 |
| | <hr/> | | |
| Total revenues | 296,582 | 6,486 | 303,068 |
| | <hr/> | | |
| Expenditures: | | | |
| Current: | | | |
| Salaries | 78,868 | 6,960 | 85,828 |
| Employee benefits | 10,656 | 603 | 11,259 |
| Purchased services | 15,925 | - | 15,925 |
| Supplies and materials | 2,889 | - | 2,889 |
| Other objects | 1,457 | - | 1,457 |
| Administrative: | | | |
| On-behalf payments - State | 180,095 | - | 180,095 |
| | <hr/> | | |
| Total expenditures | 289,890 | 7,563 | 297,453 |
| | <hr/> | | |
| Excess/(deficiency) of revenues over/(under) expenditures | 6,692 | (1,077) | 5,615 |
| | <hr/> | | |
| Other financing sources/(uses): | | | |
| Transfers in | - | - | - |
| Transfers out | (2) | - | (2) |
| Interest | 130 | - | 130 |
| | <hr/> | | |
| Total other financing sources/(uses) | 128 | - | 128 |
| | <hr/> | | |
| Net changes in fund balances | 6,820 | (1,077) | 5,743 |
| | <hr/> | | |
| Fund balances - July 1, 2004 | 33,067 | 6,067 | 39,134 |
| | <hr/> | | |
| Fund balances - June 30, 2005 | \$ 39,887 | \$ 4,990 | \$ 44,877 |
| | <hr/> | | |

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND ACCOUNTS - OPERATING FUND

FOR THE YEAR ENDED JUNE 30, 2005

| | Budgeted amounts | | Actual |
|---|------------------|---------|-----------|
| | Original | Final | amounts |
| Revenue: | | | |
| Federal sources | \$ - | \$ - | \$ - |
| Local sources | 110,683 | 110,683 | 116,487 |
| On behalf payments - State | - | - | 180,095 |
| | | | |
| Total revenues | 110,683 | 110,683 | 296,582 |
| | | | |
| Expenditures: | | | |
| Current: | | | |
| Salaries | 79,833 | 79,833 | 78,868 |
| Employee benefits | 10,000 | 10,000 | 10,656 |
| Purchased services | 15,100 | 15,100 | 15,925 |
| Supplies and materials | 3,750 | 3,750 | 2,889 |
| Capital outlay | - | - | - |
| Other objects | 2,000 | 2,000 | 1,457 |
| Administrative: | | | |
| On-behalf payments - State | - | - | 180,095 |
| | | | |
| Total expenditures | 110,683 | 110,683 | 289,890 |
| | | | |
| Excess/(deficiency) of revenues over/(under) expenditures | - | - | 6,692 |
| | | | |
| Other financing sources/(uses): | | | |
| Transfers in | | | - |
| Transfers out | - | - | (2) |
| Interest | - | - | 130 |
| | | | |
| Total other financing sources/(uses) | - | - | 128 |
| | | | |
| Net changes in fund balances | - | - | 6,820 |
| | | | |
| Fund balances - July 1, 2004 | - | - | 33,067 |
| | | | |
| Fund balances - June 30, 2005 | \$ - | \$ - | \$ 39,887 |
| | | | |

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

COMBINING SCHEDULE OF ACCOUNTS

EDUCATION FUND

JUNE 30, 2005

| | <u>Truants Alternative/ Optional Education</u> | <u>McKinney Education for Homeless Children</u> | <u>Regional Safe Schools</u> | <u>Total</u> |
|---|--|---|----------------------------------|-----------------|
| Assets: | | | | |
| Cash | \$ 859 | \$ 2 | \$ - | \$ 861 |
| Due from other government agencies | 7,200 | - | - | 7,200 |
| Total assets | <u>\$ 8,059</u> | <u>\$ 2</u> | <u>\$ -</u> | <u>\$ 8,061</u> |
| Liabilities and fund balance: | | | | |
| Fund balance, unreserved and undesignated | \$ 8,059 | \$ 2 | \$ - | \$ 8,061 |
| Total liabilities and fund balance | <u>\$ 8,059</u> | <u>\$ 2</u> | <u>\$ -</u> | <u>\$ 8,061</u> |

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

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

EDUCATION FUND ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2005

| | Truants Alternative/ Optional Education | McKinney Education for Homeless Children | Regional Safe Schools | National School Lunch Program | Total |
|---|--|---|--------------------------|--|-----------|
| Revenue: | | | | | |
| Federal sources | \$ - | \$ 12,300 | \$ 50,958 | \$ 3,382 | \$ 66,640 |
| State sources | 79,490 | - | 194,431 | 123 | 274,044 |
| Total revenues | 79,490 | 12,300 | 245,389 | 3,505 | 340,684 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Salaries | 60,275 | 10,217 | - | - | 70,492 |
| Employee benefits | 7,394 | 1,221 | - | - | 8,615 |
| Purchased services | 12,478 | 65 | 245,389 | 3,505 | 261,437 |
| Supplies and materials | 400 | 797 | - | - | 1,197 |
| Total expenditures | 80,547 | 12,300 | 245,389 | 3,505 | 341,741 |
| Excess/(deficiency) of revenues over/(under) expenditures | (1,057) | - | - | - | (1,057) |
| Other financing sources/(uses): | | | | | |
| Transfers in | - | 2 | - | - | 2 |
| Interest | 1 | - | - | - | 1 |
| Total other financing sources/(uses) | 1 | 2 | - | - | 3 |
| Net changes in fund balances | (1,056) | 2 | - | - | (1,054) |
| Fund balances - July 1, 2004 | 9,115 | - | - | - | 9,115 |
| Fund balances - June 30, 2005 | \$ 8,059 | \$ 2 | \$ - | \$ - | \$ 8,061 |

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

BUDGETARY COMPARISON SCHEDULE

EDUCATION FUND ACCOUNTS - TRUANTS ALTERNATIVE/OPTIONAL EDUCATION

FOR THE YEAR ENDED JUNE 30, 2005

| | <u>Budgeted amounts</u> | | <u>Actual amounts</u> |
|---|-------------------------|---------------|-----------------------|
| | <u>Original</u> | <u>Final</u> | |
| Revenue: | | | |
| State sources | \$ 80,547 | \$ 80,547 | \$ 79,490 |
| Total revenues | <u>80,547</u> | <u>80,547</u> | <u>79,490</u> |
| Expenditures: | | | |
| Current: | | | |
| Salaries | 58,500 | 60,275 | 60,275 |
| Employee benefits | 10,825 | 7,605 | 7,394 |
| Purchased services | 11,022 | 12,267 | 12,478 |
| Supplies and materials | 200 | 400 | 400 |
| Total expenditures | <u>80,547</u> | <u>80,547</u> | <u>80,547</u> |
| Excess/(deficiency) of revenues over/(under) expenditures | <u>-</u> | <u>-</u> | <u>(1,057)</u> |
| Other financing sources/(uses): | | | |
| Interest | - | - | 1 |
| Total other financing sources/(uses) | <u>-</u> | <u>-</u> | <u>1</u> |
| Net changes in fund balances | - | - | (1,056) |
| Fund balances - July 1, 2004 | <u>-</u> | <u>-</u> | <u>9,115</u> |
| Fund balances - June 30, 2005 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,059</u> |

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

BUDGETARY COMPARISON SCHEDULE

EDUCATION FUND ACCOUNTS - MCKINNEY EDUCATION FOR HOMELESS CHILDREN

FOR THE YEAR ENDED JUNE 30, 2005

| | Budgeted amounts | | Actual amounts |
|---|------------------|-----------|----------------|
| | Original | Final | |
| Revenue: | | | |
| Federal Sources | \$ 11,300 | \$ 12,300 | \$ 12,300 |
| Total revenues | 11,300 | 12,300 | 12,300 |
| Expenditures: | | | |
| Current: | | | |
| Salaries | 10,018 | 10,018 | 10,217 |
| Employee benefits | 1,282 | 1,282 | 1,221 |
| Purchased services | - | 1,000 | 65 |
| Supplies and materials | - | - | 797 |
| Total expenditures | 11,300 | 12,300 | 12,300 |
| Excess/(deficiency) of revenues over/(under) expenditures | - | - | - |
| Other financing sources/(uses): | | | |
| Transfers in | - | - | 2 |
| Total other financing sources/(uses) | - | - | 2 |
| Net changes in fund balances | - | - | 2 |
| Fund balances - July 1, 2004 | - | - | - |
| Fund balances - June 30, 2005 | \$ - | \$ - | \$ 2 |

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

COMBINING SCHEDULE OF ACCOUNTS

INSTITUTE FUND

JUNE 30, 2005

| | <u>Teacher Certificate</u> | <u>Investment Fund</u> | <u>Total</u> |
|---|--------------------------------|----------------------------|------------------|
| Assets: | | | |
| Cash | \$ 52,374 | \$ 25,492 | \$ 77,866 |
| Total assets | <u>\$ 52,374</u> | <u>\$ 25,492</u> | <u>\$ 77,866</u> |
| Liabilities and fund balance: | | | |
| Fund balance, unreserved and undesignated | \$ 52,374 | \$ 25,492 | \$ 77,866 |
| Total liabilities and fund balance | <u>\$ 52,374</u> | <u>\$ 25,492</u> | <u>\$ 77,866</u> |

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

INSTITUTE FUND ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2005

| | Teacher Certificate | Investment Fund | Total |
|---|------------------------|--------------------|------------------|
| Revenue: | | | |
| Local sources | \$ 11,034 | \$ - | \$ 11,034 |
| Total revenues | <u>11,034</u> | <u>-</u> | <u>11,034</u> |
| Expenditures: | | | |
| Current: | | | |
| Purchased services | 10,818 | - | 10,818 |
| Supplies and materials | 39 | - | 39 |
| Other objects | 375 | - | 375 |
| Total expenditures | <u>11,232</u> | <u>-</u> | <u>11,232</u> |
| Excess/(deficiency) of revenues over/(under) expenditures | <u>(198)</u> | <u>-</u> | <u>(198)</u> |
| Other financing sources/(uses): | | | |
| Transfers in | 5,000 | - | 5,000 |
| Transfer out | - | (5,000) | (5,000) |
| Interest | 157 | 492 | 649 |
| Total other financing sources/(uses) | <u>5,157</u> | <u>(4,508)</u> | <u>649</u> |
| Net changes in fund balances | 4,959 | (4,508) | 451 |
| Fund balances - July 1, 2004 | <u>47,415</u> | <u>30,000</u> | <u>77,415</u> |
| Fund balances - June 30, 2005 | <u>\$ 52,374</u> | <u>\$ 25,492</u> | <u>\$ 77,866</u> |

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2005

| | <u>Supervisory fund</u> | <u>Media materials fund</u> | <u>Bus driver fund</u> | <u>Substitute teacher fingerprinting</u> | <u>Total</u> |
|---|-----------------------------|-------------------------------------|--------------------------------|--|------------------|
| Assets: | | | | | |
| Cash | <u>\$ 2,100</u> | <u>\$ 10,903</u> | <u>\$ 1,950</u> | <u>\$ 219</u> | <u>\$ 15,172</u> |
| Total assets | <u>\$ 2,100</u> | <u>\$ 10,903</u> | <u>\$ 1,950</u> | <u>\$ 219</u> | <u>\$ 15,172</u> |
| Liabilities and fund balance: | | | | | |
| Fund balance, unreserved and undesignated | <u>\$ 2,100</u> | <u>\$ 10,903</u> | <u>\$ 1,950</u> | <u>\$ 219</u> | <u>\$ 15,172</u> |
| Total liabilities and fund balance | <u>\$ 2,100</u> | <u>\$ 10,903</u> | <u>\$ 1,950</u> | <u>\$ 219</u> | <u>\$ 15,172</u> |

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

| | Supervisory fund | Media materials fund | Bus driver fund | Substitute teacher fingerprinting | Total |
|---|---------------------|----------------------------|-----------------------|---|-----------|
| Revenue: | | | | | |
| State sources | \$ 3,002 | \$ - | \$ - | \$ - | \$ 3,002 |
| Local sources | - | - | 1,548 | 239 | 1,787 |
| Total revenues | 3,002 | - | 1,548 | 239 | 4,789 |
| Expenditures: | | | | | |
| Purchased services | 325 | - | 1,618 | - | 1,943 |
| Supplies and materials | - | 149 | 167 | - | 316 |
| Other objects | 1,460 | 149 | - | 20 | 1,629 |
| Total expenditures | 1,785 | 298 | 1,785 | 20 | 3,888 |
| Excess/(deficiency) of revenues over/(under) expenditures | 1,217 | (298) | (237) | 219 | 901 |
| Other financing sources/(uses): | | | | | |
| Interest | 1 | 93 | - | - | 94 |
| Total other financing sources/(uses) | 1 | 93 | - | - | 94 |
| Net changes in fund balances | 1,218 | (205) | (237) | 219 | 995 |
| Fund balances - July 1, 2004 | 882 | 11,108 | 2,187 | - | 14,177 |
| Fund balances - June 30, 2005 | \$ 2,100 | \$ 10,903 | \$ 1,950 | \$ 219 | \$ 15,172 |

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

AGENCY FUNDS

JUNE 30, 2005

| | <u>Distributive fund</u> | <u>Regional Vocational Delivery System fund</u> | <u>Total</u> |
|------------------------------------|------------------------------|---|-----------------|
| Assets: | | | |
| Cash | \$ 5,345 | \$ (2,126) | \$ 3,219 |
| Due from other government agencies | - | 2,126 | 2,126 |
| Total assets | <u>5,345</u> | <u>-</u> | <u>5,345</u> |
| Liabilities: | | | |
| Due to other government agencies | <u>5,345</u> | <u>-</u> | <u>5,345</u> |
| Total liabilities | <u>\$ 5,345</u> | <u>\$ -</u> | <u>\$ 5,345</u> |

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

| | Balance 7/1/2004 | Additions | Deductions | Balance 6/30/2005 |
|---|---------------------|------------|------------|----------------------|
| Distributive fund: | | | | |
| Assets: | | | | |
| Cash | \$ 3,181 | \$ 662,089 | \$ 659,925 | \$ 5,345 |
| Total assets | \$ 3,181 | \$ 662,089 | \$ 659,925 | \$ 5,345 |
| Liabilities: | | | | |
| Due to other government agencies | \$ 3,181 | \$ 662,089 | \$ 659,925 | \$ 5,345 |
| Total liabilities | \$ 3,181 | \$ 662,089 | \$ 659,925 | \$ 5,345 |
| Regional Vocational Delivery System fund: | | | | |
| Assets: | | | | |
| Cash | \$ (2,126) | \$ - | \$ - | \$ (2,126) |
| Due from other government agencies | \$ 2,126 | \$ - | \$ - | \$ 2,126 |
| Total assets | \$ - | \$ - | \$ - | \$ - |
| Liabilities: | | | | |
| Due to other government agencies | \$ - | \$ - | \$ - | \$ - |
| Total liabilities | \$ - | \$ - | \$ - | \$ - |
| Total all agency funds: | | | | |
| Assets: | | | | |
| Cash | \$ 1,055 | \$ 662,089 | \$ 659,925 | \$ 3,219 |
| Due from other government agencies | 2,126 | - | - | 2,126 |
| Total assets | \$ 3,181 | \$ 662,089 | \$ 659,925 | \$ 5,345 |
| Liabilities: | | | | |
| Due to other government agencies | \$ 3,181 | \$ 662,089 | \$ 659,925 | \$ 5,345 |
| Total liabilities | \$ 3,181 | \$ 662,089 | \$ 659,925 | \$ 5,345 |

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS
AND OTHER ENTITIES

DISTRIBUTIVE FUND

FOR THE YEAR ENDED JUNE 30, 2005

| | Regional Superintendent of Schools | Regional Vocational Delivery System | Salt Creek Academy | Illinois Central School District | Total |
|--|--|--|-----------------------|---|------------|
| General State Aid | \$ - | \$ - | \$ 122,015 | \$ - | \$ 122,015 |
| Other Restricted Grants-In-Aid | - | - | 19,415 | - | 19,415 |
| V.E.-Perkins-Title IIC-Secondary | - | 75,962 | - | - | 75,962 |
| V.E.-Secondary Program Improvement | - | 223,500 | - | - | 223,500 |
| V.E.-Agriculture Ed.-Incentive | - | 18,754 | - | - | 18,754 |
| Truants Alternative/Optional Education | 80,547 | - | - | - | 80,547 |
| Regional Safe Schools | - | - | 103,959 | - | 103,959 |
| Supervisory Expense | 3,000 | - | - | - | 3,000 |
| Bus Driver Fees | 600 | - | - | - | 600 |
| State Free Lunch and Breakfast | - | - | - | 123 | 123 |
| National School Lunch Program | - | - | - | 3,382 | 3,382 |
| Totals | \$ 84,147 | \$ 318,216 | \$ 245,389 | \$ 3,505 | \$ 651,257 |

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2005

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Grant Title | CFDA Number | Project/Contract Number | Federal Expenditures |
|---|------------------------|------------------------------------|---------------------------------|
| U.S. Department of Health and Human Services - | | | |
| Passed through the Illinois State Board of Education (ISBE): | | | |
| Temporary Assistance for Needy Families Program: | | | |
| Regional Safe Schools | 93.558 | 05-3696-00 | \$ 30,622 (M) |
| Regional Safe Schools State Aid | 93.558 | 05-3001-93 | 20,336 (M) |
| Subtotal | | | <u>50,958</u> |
| U.S. Department of Agriculture - | | | |
| Passed through the Illinois State of Board of Education (ISBE): | | | |
| National School Lunch Program | 10.555 | 05-4210-00 | 3,382 |
| U.S. Department of Education - | | | |
| Passed through ISBE and Regional Office of Education No. 26: | | | |
| McKinney Education for Homeless Children Program | 84.196 | 05-4920-00 | <u>12,300</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 66,640</u> |

(M) - Program was audited as a major program

The accompanying notes are an integral part of this schedule.

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2005

1. Reporting Entity, Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Regional Office of Education No. 38 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented on this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Subrecipients

The Regional Office of Education No. 38 provided \$245,389 to Athens Community Unit School District No. 213 during fiscal year 2005 as part of the Regional Safe Schools Program and Regional Safe School State Aid. Athens Community Unit School District No. 213 acted as the fiscal agent for Salt Creek Academy, to which all funds were subsequently distributed. The federal portion of the amount distributed was \$50,958 for fiscal year 2005.

3. Description of Major Program

Regional Safe Schools and Regional Safe Schools State Aid:

- The purpose of this program is to provide an alternative education program for students who have been repeatedly suspended, expelled, or who are eligible for such disciplinary action by their home school.

4. Noncash Assistance

The Regional Office of Education No. 38 did not have any noncash assistance during fiscal year 2005.

5. Insurance

The Regional Office of Education No. 38 did not maintain federally funded insurance during fiscal year 2005.

6. Loans or Loan Guarantees Outstanding

The Regional Office of Education No.38 did not maintain any federally funded loans or federal loan guarantees during fiscal year 2005.