

**State of Illinois
WILL COUNTY
REGIONAL OFFICE OF EDUCATION NO. 56**

**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

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56

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WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56

OFFICIALS

Regional Superintendent
(current and during the audit period)

Mr. Richard P. Duran

Assistant Regional Superintendent
(current and during the audit period)

Mr. David J. Levek

Office is located at:

302 North Chicago Street
Joliet, Illinois 60432

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
JUNE 30, 2005**

COMPLIANCE REPORT

SUMMARY

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	1	—
Repeated audit findings	—	—
Prior recommendations implemented or not repeated	—	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 (GOVERNMENT AUDITING STANDARDS)
05-1	12	Controls Over Compliance with Laws and Regulations

FINDINGS AND QUESTIONED COSTS
(FEDERAL COMPLIANCE)

None

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
JUNE 30, 2005**

SUMMARY OF FINDINGS AND QUESTIONED COSTS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
		PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)
		None
		PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)
		None

EXIT CONFERENCE

The Will County Regional Office of Education No. 56 opted not to have an exit conference during the financial audit for the year ended June 30, 2005. Responses to the recommendations were provided by Mr. Richard Duran in a letter dated January 10, 2006.

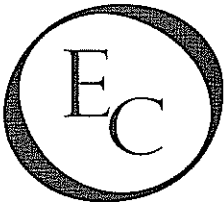
WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of the Will County Regional Office of Education No. 56 was performed by E. C. Ortiz & Co., LLP.

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



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Will County Regional Office of Education No. 56, as of and for the year ended June 30, 2005, which collectively comprise the Will County Regional Office of Education No. 56's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Will County Regional Office of Education No. 56's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Will County Regional Office of Education No. 56, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2005 on our consideration of Will County Regional Office of Education No. 56's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

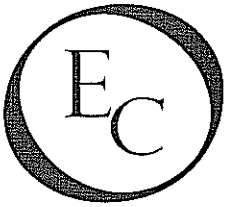
The Management's Discussion and Analysis and the Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 16 to 20 and page 48 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United 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 Will County Regional Office of Education No. 56's basic financial statements. The combining and individual non-major fund financial statements, budgetary comparison schedules and Schedule of Disbursements to School District Treasurers and Other Entities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual non-major fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

C. C. Grij & Co. LLP

Chicago, Illinois
November 7, 2005



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Will County Regional Office of Education No. 56, as of and for the year ended June 30, 2005, which collectively comprise the Will County Regional Office of Education No. 56's basic financial statements and have issued our report thereon dated November 7, 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 Will County Regional Office of Education No. 56's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, caused by error or fraud, in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

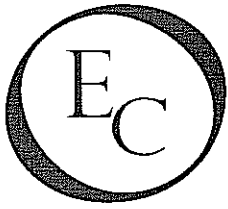
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Will County Regional Office of Education No. 56's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance which is required by the *Guidelines to Auditing and Reporting for a Regional Office of Education*, to be reported on the accompanying Schedule of Findings and Questioned Costs as item 05-1.

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

C. C. G. J. & Co. LLP

Chicago, Illinois
November 7, 2005



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of Will County Regional Office of Education No. 56 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 Will County Regional Office of Education No. 56's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Will County Regional Office of Education No. 56's management. Our responsibility is to express an opinion on the Will County Regional Office of Education No. 56's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Will County Regional Office of Education No. 56'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 on the Will County Regional Office of Education No. 56's compliance with those requirements.

In our opinion, the Will County Regional Office of Education No. 56 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 Will County Regional Office of Education No. 56 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 Will County Regional Office of Education No. 56'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.

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

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

E. C. Grij 7 G. 118

Chicago, Illinois
November 7, 2005

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Part I: Summary of the Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.287C	Title IV- 21st Century Community Learning Centers
93.558	Regional Safe Schools (TANF)
93.558	Regional Safe Schools - General State Aid (TANF)
84.010A	Title I - School Improvement and Accountability
84.318X	Technology Enhancing Education - Competitive

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

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

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Part II: Findings Related to the Basic Financial Statements

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

Criteria/specific requirements:

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

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

Condition:

Will County Regional Office of Education No. 56 is not examining all books, accounts, and vouchers of every school treasurer in his educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school districts in his region. In addition, the Regional Office gets a spreadsheet from the Illinois State Board of Education (ISBE) that outlines all of the school districts and their audit exceptions, if any. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

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

Effect:

The Regional Office of Education No. 56 did not comply with statutory requirements.

Cause:

Will County Regional Office of Education No. 56 management stated that the procedures currently being performed are deemed sufficient to comply with this mandate.

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

Auditors' Recommendations:

The Regional Office of Education No. 56 should comply with the requirements of 105 ILCS 5/3-14.11. If the Regional Office believes the statutory mandate is obsolete or otherwise unnecessary, then it should seek legislative action to revise the statute accordingly.

Management's Response:

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

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

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NONCOMPLIANCE:

None

REPORTABLE CONDITIONS:

None

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
JUNE 30, 2005**

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

Condition:

Will County Regional Office of Education No. 56 is not examining all books, accounts, and vouchers of every school treasurer in his educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school districts in his region. In addition, the Regional Office gets a spreadsheet from the Illinois State Board of Education (ISBE) that outlines all of the school districts and their audit exceptions, if any. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

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

Plan:

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

Anticipated Date of Completion:

As soon as practical.

Name of Contact Person:

Richard Duran, Regional Superintendent

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

The Will County Regional Office of Education No. 56 (ROE No. 56) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2005 with comparative information for the year ended June 30, 2004. Readers are encouraged to consider the information in conjunction with the ROE No. 56's financial statements that follow.

2005 Financial Highlights

- Within the Governmental Funds, the General Fund revenues increased by \$122,404 (31%) from \$388,967 in FY 2004 to \$511,371 in FY 2005. General Fund expenditures increased by \$123,299 (32%) from \$385,875 in FY 2004 to \$509,174 in FY 2005.
- Within the Governmental Funds, the Special Revenue Fund revenue decreased by \$2,514,303 (27%) from \$9,309,930 in FY 2004 to \$6,795,627 in FY 2005. The Special Revenue Fund expenditures decreased by \$2,346,226 (26%) from \$8,964,647 in FY 2004 to \$6,618,421 in FY 2005.

Using This Report

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

- *Management's Discussion and Analysis* introduces financial statements and provides an analytical overview of the ROE No. 56's financial activities.
- The *Government-wide financial statements* consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the ROE No. 56 as a whole and present an overall view of the Office's finances.
- *Fund financial statements* report the ROE No. 56's operations in more detail than the government-wide statements by providing information about the most significant funds.
- *Notes to the financial statements* provide additional information that is needed for a full understanding of the data provided in the basic financial statements.
- *Required supplementary information* further explains and supports the financial statements and supplementary information provides detailed information about the non-major funds.

Reporting the Will County Regional Office as a Whole

It is important to note, that many grants are a cooperative effort of the ROE No. 56 and the Grundy/Kendall Regional Office of Education No. 24. Therefore, these figures may reflect

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

grants that are intended to serve Will County only and grants that serve Will, Grundy, and Kendall Counties.

The Statement of Net Assets and the Statement of Activities

The Government-wide statements report information about the ROE No. 56 as a whole. The Statement of Net Assets includes all of the assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid using Generally Accepted Accounting Principles and GASB 34.

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

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

Fund Financial Statements

The fund financial statements provide detailed information about the ROE No. 56's funds. Funds are accounting devices that allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by state law. The ROE No. 56 established other funds to control and manage money for particular purposes.

The Office has three kinds of funds:

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

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

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

- (2) Proprietary funds account for resources from fees charged directly to those entities or individuals that use its services. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by government-wide financial statements. The proprietary funds required financial statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.
- (3) Fiduciary funds are used to account for assets held by the ROE No. 56 in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds required financial statements include a Statement of Fiduciary Net Assets.

Government-Wide Financial Analysis

As noted earlier, net assets may serve when examined over time as one indicator of the financial position of the ROE No. 56. The net assets at the end of FY 2005 totaled \$1,546,302. At the end of FY 2004, the net assets were \$1,022,430. The analysis that follows provides a summary of the ROE No. 56's net assets of June 30.

CONDENSED STATEMENT OF NET ASSETS

	<u>2005</u>	<u>2004</u>
Current assets	\$ 2,430,152	\$ 2,335,668
Capital assets, net of depreciation	37,570	50,212
Total assets	<u>2,467,722</u>	<u>2,385,880</u>
Current liabilities	<u>921,420</u>	<u>1,363,450</u>
Net assets:		
Invested in capital assets, net of related debt	37,570	50,212
Unrestricted	1,508,732	972,218
Total net assets	<u>\$ 1,546,302</u>	<u>\$ 1,022,430</u>

The ROE No. 56's net assets increased by \$523,872 (51%) from FY 2004. The increase occurred primarily in the Local Professional Development Alliance (PDA) Fund due to excess of revenues over expenses for workshops conducted by the ROE.

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

CHANGES IN NET ASSETS

	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,445,245	\$ 1,637,852
Operating grants and contributions	6,894,475	7,661,139
General revenues:		
On-behalf payments	233,219	226,457
Interest	36,255	11,054
Local sources and others	105,762	162,395
Total revenues	<u>8,714,956</u>	<u>9,698,897</u>
Expenses:		
Program expenses:		
Instructional services	7,957,865	9,115,344
Administrative	233,219	226,457
Total expenses	<u>8,191,084</u>	<u>9,341,801</u>
Change in net assets	523,872	357,096
Net assets beginning of year	1,022,430	665,334
Net assets end of year	<u>\$ 1,546,302</u>	<u>\$ 1,022,430</u>

Governmental Activities

Revenues for governmental activities were \$7,306,998 and expenses were \$7,127,595. The ROE No. 56 did not fill some vacant job positions and transferred funds from savings (investments) to pay for current expenses. While the transfers resolved current expense requirements, the continued practice of such an approach will impact the financial health of the agency by eroding fund reserves.

Financial Analysis of the ROE No. 56 Funds

As previously noted, the ROE No. 56 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency's Governmental Funds reported combined fund balances were \$469,830.

Governmental Fund Highlights

- The Governor of the State of Illinois line item vetoed a portion of the state financial support for school services.
- The dollar return on investments (certificate of deposit, short-term investments and interest earned on a float), were reduced because of the low interest rates.

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

- County support for the ROE No. 56 remained at the same funding level.
- There was an increase in the state aid foundation level to \$4,964 per student from \$4,810. This helped to off-set the reduction in the grant dollars provided for the Safe Schools Program.

Budgetary Highlights

The ROE No. 56 annually adopts budgets for several funds. The Professional Development Alliance (PDA) Budget is prepared by the Executive Director of the PDA and approved by a joint Governing Board representing Will, Grundy, & Kendall Counties. The Regional Safe Schools Budget is approved by a similar board. The Education-To-Careers Executive Board approves the budgets for the ETC Partnership and the 21st Century Grant. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the County Board for their approval. The Office Operations Budget covers a fiscal year which runs from December 1 to November 30. All grant budgets are prepared by the Regional Office of Education No. 56 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency.

Capital Assets

ROE No. 56's capital assets include office equipment, computers, audio-visual equipment, and building improvements. The ROE No. 56 maintains an inventory of capital assets which have been accumulated over time. For FY 2005, total additions amounted to \$11,710 and there were no retirements. Depreciation expense for FY 2005 was \$24,352.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the ROE No 56'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 Schools, Will County Regional Office of Education No. 56, 302 North Chicago Street, Joliet, IL 60432.

BASIC FINANCIAL STATEMENTS

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
STATEMENT OF NET ASSETS
JUNE 30, 2005

EXHIBIT A

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 1,257,198	\$ 1,053,910	\$ 2,311,108
Accounts receivable	-	36,052	36,052
Due from other government agencies	82,992	-	82,992
Total current assets	1,340,190	1,089,962	2,430,152
Noncurrent assets:			
Capital assets, net	29,763	7,807	37,570
Total Assets	1,369,953	1,097,769	2,467,722
LIABILITIES			
Accounts payable	389,343	51,060	440,403
Deferred revenues	481,017	-	481,017
Total Liabilities	870,360	51,060	921,420
NET ASSETS			
Invested in capital assets, net of related debt	29,763	7,807	37,570
Unrestricted	469,830	1,038,902	1,508,732
Total Net Assets	\$ 499,593	\$ 1,046,709	\$ 1,546,302

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

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2005

EXHIBIT B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contribution	Governmental Activities	Primary Government Business-Type Activities	Total
FUNCTIONS/PROGRAMS						
Primary government						
Governmental activities:						
Instructional services						
Salaries	\$ 1,237,625	\$ -	\$ 1,159,245	\$ (78,380)	\$ -	\$ (78,380)
Benefits	265,191	-	233,501	(31,690)	-	(31,690)
Purchased services	1,511,452	46,415	1,434,640	(30,397)	-	(30,397)
Supplies and materials	282,501	13,404	285,610	16,513	-	16,513
Capital expenditures	388,872	3,136	386,131	395	-	395
Miscellaneous	58,972	1,308	50,397	(7,267)	-	(7,267)
Payments to other governmental units	3,149,763	-	3,344,951	195,188	-	195,188
Depreciation	20,449	-	-	(20,449)	-	(20,449)
Administrative						
On-behalf payments	233,219	-	-	(233,219)	-	(233,219)
Total governmental activities	7,148,044	64,263	6,894,475	(189,306)	-	(189,306)
Business-type activities:						
Professional development	1,043,040	1,380,982	-	-	337,942	337,942
Total business-type activities	1,043,040	1,380,982	-	-	337,942	337,942
Total primary government	\$ 8,191,084	\$ 1,445,245	\$ 6,894,475	(189,306)	337,942	148,636
General revenues:						
Local sources				97,903	-	97,903
Interest income				9,279	26,976	36,255
On-behalf payments				233,219	-	233,219
Miscellaneous				7,859	-	7,859
Transfers				(137,528)	137,528	-
Total general revenues				210,732	164,504	375,236
Change in net assets				21,426	502,446	523,872
Net assets - beginning				478,167	544,263	1,022,430
Net assets - ending				\$ 499,593	\$ 1,046,709	\$ 1,546,302

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

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2005

EXHIBIT C

	General	Education Fund	Institute Fund	Professional Development Alliance	Other Non-Major Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 6,941	\$ 589,011	\$ 155,010	\$ 458,682	\$ 47,554	\$ 1,257,198
Due from other governmental agencies	141	-	-	82,851	-	82,992
TOTAL ASSETS	7,082	589,011	155,010	541,533	47,554	1,340,190
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	-	112,246	-	277,097	-	389,343
Deferred revenues	-	216,581	-	264,436	-	481,017
Total liabilities	-	328,827	-	541,533	-	870,360
FUND BALANCES						
Unreserved, reported in:						
General fund	7,082	-	-	-	-	7,082
Special revenue funds	-	260,184	155,010	-	47,554	462,748
	7,082	260,184	155,010	-	47,554	469,830
TOTAL LIABILITIES AND FUND BALANCES	7,082	589,011	155,010	541,533	47,554	1,340,190

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

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

EXHIBIT D

Total fund balances - governmental funds \$ 469,830

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. 29,763

Net assets of governmental activities \$ 499,593

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

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

EXHIBIT E

	General	Education Fund	Institute Fund	Professional Development Alliance	Other Non-Major Funds	Total Governmental Funds
REVENUES						
Federal sources	-	\$ 1,835,392	-	\$ 2,884,865	-	\$ 4,720,257
State sources	261,636	1,540,725	-	366,510	2,440	2,171,311
Local sources						
Registration fees	-	-	83,128	-	-	83,128
Fees for services	14,775	-	-	-	61,823	76,598
Interest income	87	6,134	2,439	-	619	9,279
Miscellaneous	1,654	5,347	6,205	-	-	13,206
On-behalf payments	233,219	-	-	-	-	233,219
Total revenues	<u>511,371</u>	<u>3,387,598</u>	<u>91,772</u>	<u>3,251,375</u>	<u>64,882</u>	<u>7,306,998</u>
EXPENDITURES						
Current:						
Instructional services:						
Salaries	153,562	669,289	-	414,774	-	1,237,625
Benefits	43,252	102,930	-	119,009	-	265,191
Purchased services	73,413	593,494	29,502	774,477	40,566	1,511,452
Supplies and materials	3,990	171,868	492	94,436	11,715	282,501
Capital expenditures	-	-	-	386,131	2,741	388,872
Miscellaneous	1,738	-	5,695	50,396	1,143	58,972
Payments to other governments	-	1,737,611	-	1,412,152	-	3,149,763
On-behalf payments	233,219	-	-	-	-	233,219
Total expenditures	<u>509,174</u>	<u>3,275,192</u>	<u>35,689</u>	<u>3,251,375</u>	<u>56,165</u>	<u>7,127,595</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,197	112,406	56,083	-	8,717	179,403
OTHER FINANCING USES						
Transfers out	-	(97,528)	(40,000)	-	-	(137,528)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	2,197	14,878	16,083	-	8,717	41,875
FUND BALANCES, UNRESERVED, BEGINNING OF YEAR	4,885	245,306	138,927	-	38,837	427,955
FUND BALANCES, UNRESERVED, END OF YEAR	<u>\$ 7,082</u>	<u>\$ 260,184</u>	<u>\$ 155,010</u>	<u>\$ -</u>	<u>\$ 47,554</u>	<u>\$ 469,830</u>

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

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005**

EXHIBIT F

Net change in fund balances	\$ 41,875
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>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.</p>	
Depreciation expense	(20,449)
Change in net assets of governmental activities	\$ 21,426

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

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2005

EXHIBIT G

	<u>Business Type Activities - Enterprise Funds</u>			<u>Total</u>
	<u>Local PDA Funds</u>	<u>Masters and Doctoral Programs</u>	<u>Criminal Background Investigation</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 842,198	\$ 190,125	\$ 21,587	\$ 1,053,910
Accounts receivable	36,052	-	-	36,052
Total current assets	<u>878,250</u>	<u>190,125</u>	<u>21,587</u>	<u>1,089,962</u>
Noncurrent assets:				
Capital assets, net	-	-	7,807	7,807
TOTAL ASSETS	<u>878,250</u>	<u>190,125</u>	<u>29,394</u>	<u>1,097,769</u>
LIABILITIES				
Current liabilities:				
Accounts payable	40,735	10,325	-	51,060
TOTAL LIABILITIES	<u>40,735</u>	<u>10,325</u>	<u>-</u>	<u>51,060</u>
NET ASSETS				
Invested in capital assets	-	-	7,807	7,807
Unrestricted	837,515	179,800	21,587	1,038,902
TOTAL NET ASSETS	<u>\$ 837,515</u>	<u>\$ 179,800</u>	<u>\$ 29,394</u>	<u>\$ 1,046,709</u>

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

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

EXHIBIT H

	Business Type Activities - Enterprise Funds			Total
	Local PDA Funds	Masters and Doctoral Programs	Criminal Background Investigation	
OPERATING REVENUES				
Local sources	\$ 1,166,521	\$ 156,051	\$ 58,410	\$ 1,380,982
OPERATING EXPENSES				
Salaries	147,726	-	-	147,726
Benefits	41,895	-	-	41,895
Purchased services	511,348	148,675	65,378	725,401
Supplies and materials	103,069	-	-	103,069
Miscellaneous	9,508	-	-	9,508
Capital outlay	11,538	-	-	11,538
Depreciation	-	-	3,903	3,903
Total operating expenses	825,084	148,675	69,281	1,043,040
OPERATING INCOME (LOSS)	341,437	7,376	(10,871)	337,942
NONOPERATING REVENUES				
Interest income	26,711	-	265	26,976
INCOME (LOSS) BEFORE OPERATING TRANSFERS	368,148	7,376	(10,606)	364,918
OPERATING TRANSFERS				
Transfers in	97,528	-	40,000	137,528
CHANGE IN NET ASSETS	465,676	7,376	29,394	502,446
TOTAL NET ASSETS, July 1, 2004	371,839	172,424	-	544,263
TOTAL NET ASSETS, June 30, 2005	\$ 837,515	179,800	\$ 29,394	\$ 1,046,709

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

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

EXHIBIT I

	<u>Business Type Activities - Enterprise Funds</u>			<u>Total</u>
	<u>Local PDA Funds</u>	<u>Masters and Doctoral Programs</u>	<u>Criminal Background Investigation</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts for workshops/services	\$ 1,130,469	\$ 156,051	\$ 58,410	\$ 1,344,930
Payment to suppliers and providers of goods and services	(761,644)	(164,460)	(65,378)	(991,482)
Payment to employees	(147,726)	-	-	(147,726)
Net cash provided by (used in) operating activities	<u>221,099</u>	<u>(8,409)</u>	<u>(6,968)</u>	<u>205,722</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Purchase of equipment	-	-	(11,710)	(11,710)
Net cash used in capital financing activities	<u>-</u>	<u>-</u>	<u>(11,710)</u>	<u>(11,710)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:				
Cash transfers from other funds	97,528	-	40,000	137,528
Net cash provided by noncapital financing activities	<u>97,528</u>	<u>-</u>	<u>40,000</u>	<u>137,528</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest	26,711	-	265	26,976
Net cash provided by investing activities	<u>26,711</u>	<u>-</u>	<u>265</u>	<u>26,976</u>
NET INCREASE (DECREASE) IN CASH	345,338	(8,409)	21,587	358,516
CASH, BEGINNING OF YEAR	<u>496,860</u>	<u>198,534</u>	<u>-</u>	<u>695,394</u>
CASH, END OF YEAR	<u>\$ 842,198</u>	<u>\$ 190,125</u>	<u>\$ 21,587</u>	<u>\$ 1,053,910</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 341,437	\$ 7,376	\$ (10,871)	337,942
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	-	3,903	3,903
Effects of changes in assets and liabilities:				
Accounts receivable	(36,052)	-	-	(36,052)
Accounts payable	(84,286)	(15,785)	-	(100,071)
Net cash provided by (used in) operating activities	<u>\$ 221,099</u>	<u>\$ (8,409)</u>	<u>\$ (6,968)</u>	<u>\$ 205,722</u>

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

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
JUNE 30, 2005**

EXHIBIT J

ASSETS	
Cash	<u>\$ 6,980</u>
 LIABILITIES	
Distributives Payable	<u>\$ 6,980</u>

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

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Will County Regional Office of Education No. 56 was created to develop and maintain educational service for the school districts in Will County. Will County Regional Office of Education No. 56 services 126 public schools and 46 private schools in the 29 districts within the County.

The following are the functions of Will County Regional Office of Education No. 56:

- Processing teachers' certificates
- Teaching initial and refresher classes for bus drivers
- Review life/safety requirements for schools in conjunction with the State of Illinois
- Disbursing state and federal aid to individual school districts

The financial statements of the Will County Regional Office of Education No. 56 have been prepared in conformity with the Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The following is a summary of the significant accounting policies:

B. Criteria Used to Determine the Scope of Entity

The reporting entity includes the governing board and all related organizations for which Will County Regional Office of Education No. 56 exercises oversight responsibility.

The criteria to determine whether outside agencies with activities which benefit the residents should be included within its financial reporting entity includes, but is not limited to, whether Will County Regional Office of Education No. 56 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.

Will County Regional Office of Education No. 56 has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the financial statements. In addition, Will County Regional Office of Education No. 56 is not aware of any entity which would exercise such oversight which would result in it being considered a component unit of the entity.

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

C. Change in Accounting Principles

Effective July 1, 2004, the Will County Regional Office of Education No. 56 adopted GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, an amendment of GASB Statement No. 3. This new standard enhances the deposit and investment risk disclosures by updating the custodial credit risk disclosure requirements of GASB Statement No. 3 and addressing other common risks, including concentration of credit risk, interest rate risk and foreign currency risk. The implementation did not have a significant impact on the Will County Regional Office of Education No. 56's financial statements.

D. Government-Wide and Fund Financial Statements

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

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

Certain 2004 amounts have been reclassified to conform to the 2005 presentation. Local PDA Funds, Masters and Doctoral Programs, and Criminal Background Investigation fund activities have been classified and reported in prior years as special revenue funds and are currently classified and reported as proprietary funds.

E. Measurement, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

when a liability is incurred, regardless of the timing of related cash flows. Grants and similar revenues are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund and fiduciary financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Will County Regional Office of Education No. 56 considers revenues as available if they are collected within 60 days after year-end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

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

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

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

F. Fund Accounting

The accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. The resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following summarizes the fund types used:

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Government Fund Types

Governmental Funds are those through which most governmental functions are financed. The acquisition, use and balances of the expendable financial resources and the related current liabilities are accounted for through governmental funds.

The General Fund is the general operating fund. The General Fund accounts for all financial resources except those required to be accounted for in another fund.

ROE/ISC Operation - Accounts for grant monies received for, and payment of, expenditures of the ESC Operation Fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than those accounted for in the Fiduciary Funds) that are legally restricted to expenditures for specified purposes. The special revenue funds include the following:

Education - Accounts for grant funds which are restricted as to their use except for those accounted for in the Lambert and Professional Development Alliance Funds. Education funds include:

Education to Careers - Accounts for the administration of monies to be used for Education to Careers Fund received from the Illinois State Board of Education.

Regional Safe Schools Program - Accounts for the administration of monies to be used for the Regional Safe Schools Program Fund received from the Illinois State Board of Education.

General State Aid - Accounts for grant monies received for, and payment of, expenditures for regional learning academy supplements.

Title IV - Community Service - Accounts for monies received for, and payment of, expenditures for Safe and Drug Free Schools and Communities Programs. These programs enhance the Nation's efforts to prevent illegal use of drugs and violence among, and promote safety and discipline for, students at all levels in the community.

Title IV - 21st Century Community Learning Centers - Accounts for monies received for, and payment of, expenditures of the 21st Century Learning Centers Grant. The purpose of this grant is to create community learning centers that provide academic enrichment opportunities for children, particularly students who attend high-poverty and low performing schools.

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Institute - Accounts for registration and renewal fees related to teachers' certificates. Funds collected from registration and renewal fees are expended to defray costs incidental to teachers' institutes, conferences, and workshops.

Professional Development Alliance (PDA) - Accounts for state, and federal funded programs designed to meet the identified needs of the school districts within Will, Grundy and Kendall counties. These services are designed to improve the educational opportunities provided to students within these counties. Professional Development Alliance Funds include:

Learning Technology Center - Accounts for monies from State of Illinois for expenditures incurred to create and support ongoing learning teams focused on alignment of classroom level assessment and instruction.

Standards Aligned Classroom - Area I and Fair 22 - Accounts for grant monies received for, and payment of, expenditures incurred in the improvement of teaching and learning.

FY 2005/2004 Title I - Reading First Part B SEA Funds - 00/02 - Funds provide assistance to school districts in establishing reading programs for students in kindergarten through third grade that are based on scientifically based reading research. Reading first also focuses on teacher development and ensuring that all teachers, including special education teachers, have the tools they need to effectively help their students learn to read.

Technology - Enhancing Education - Competitive - Accounts for revenues and expenditures used to train online Atlas Rubicon Curriculum Mapping, online testing of students using Northwest Evaluation Association, and professional development for teachers.

FY 2005/2004 Reading First Services - 01/04 - Accounts for grant monies received for, and payment of, expenditures of the Reading First Grants. These are federal grants from the Department of Education passed through the Lake County Regional Office of Education No. 34.

FY 2005/2004 Title I - School Improvement and Accountability - Accounts for grant monies received for, and payment of, expenditures of the Title I - School Improvement and Accountability Fund. This grant provides school districts with funds to carry out their school improvement and corrective action responsibilities under Section 1116(c) of Title I while offering students in schools identified for improvement and corrective action the opportunity to

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

transfer to another higher performing public school, including a public charter school within the district.

FY 2005/2004 Title II - Teacher Quality Leadership Grant - Accounts for grant monies received for, and payment of, expenditures of the Title II - Teacher Quality Leadership Grant.

Title V - Innovative Programs - SEA Projects - Accounts for grant monies received for, and payment of, expenditures of the Title V - Innovative Programs - SEA Projects Grant.

K-6 Reading Improvement - Accounts for grant monies received for, and payment of, expenditures incurred for the Reading Improvement Grant.

Other State Programs - Accounts for grant monies received, and payment of, expenditures incurred for various support service programs funded by the state.

Other Non-Major Funds - All other special revenue funds not classified under Education Fund or Professional Development Alliance are grouped under this fund for financial statement presentation.

General Education Development (GED) - Accounts for the administration of the GED Testing Program. Revenues consist of fees collected for testing, diplomas and materials.

School Bus Driver Training - Accounts for bus drivers' permit fees which may be expended for bus drivers' refresher courses.

Supervisory - Accounts for State funding used to pay expenses for supervision of school districts in the jurisdiction.

Lambert - Accounts for donations which are restricted to be used for support, health, welfare and education of worthy poor children residing in Will County.

Proprietary Funds - to account for resources from fees charged directly to those entities or individuals that use its services.

Local Professional Development Alliance (PDA) Funds - Accounts for the revenues and expenditures associated with state aid money and workshops put on by the Will County Regional Office of Education No. 56.

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Masters and Doctoral Programs - Accounts for grant monies received for, and payment of, expenditures of the Masters and Doctoral Programs.

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

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds.

The Agency Fund consists of the following:

Distributive - accounts for funds received and disbursed as a result of the Superintendent's responsibility to receive and distribute to treasurers of school districts and other agencies, monies due them from general state aid, state categorical grants, and various other sources. Interest earned on Distributive Fund assets is used to fund existing programs.

Forest Conservation - accounts for funds received from Will County and disbursed to school districts in relation to the Forest Conservation project.

G. Interest Revenue

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

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

H. License and Permits

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

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

I. Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the ROE receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the ROE must provide local resources to be used for specific purpose, and expenditure requirements, in which the resources are provided to the ROE on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

J. Capital Assets

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

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

K. Deferred Revenues

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

L. Net Assets

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

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

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Unrestricted Net Assets - represent resources used for transactions relating to the general operations of the ROE and may be used at the discretion of management to meet expenses for any purpose.

M. Management Estimates

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

N. Investments and Cash Accounts

State regulations require that the Will County Regional Office of Education No. 56 deposit funds under its control into accounts insured by the federal government, secured by substantial collateral or into pooled investment trusts. All funds not needed for immediate disbursements are maintained in interest bearing accounts. Statutes authorize the Will County Regional Office of Education No. 56 to make deposits or invest in obligation of states and their political subdivisions, savings accounts, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Public Treasurer's Investment Pool.

O. Revenue from Federal and State Grants

Revenues from federal and State grant awards are recorded net of the amount due to the State for the unused portion of the grant or the amount carried over to the following fiscal year project. Amounts due to the State or carried over to the following year project are recorded as liabilities.

P. Budgetary Data

Will County Regional Office of Education No. 56 did not formally adopt a budget for the year ended June 30, 2005 and is not legally required to do so. The Illinois State Board of Education requires budgets for certain State and Federal programs. These budgets were used to prepare Budgetary Comparison Schedules for the following programs:

General Fund:

- ROE/ISC Operations

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Special Revenue Funds:

- Education Fund:
 - Education to Careers
 - Regional Safe Schools
 - Title IV - 21st Century Community Learning Centers

- Professional Development Alliance Fund:
 - Learning Technology Center
 - Title I - Reading First Part B SEA Funds - 00
 - Title I - Reading First Part B SEA Funds - 02
 - Technology Enhancing Education - Competitive
 - Title I - School Improvement & Accountability
 - Title II - Teacher Quality Leadership Grant
 - Other State Programs (Support Services)
 - Title V - Innovative Leadership

NOTE 2 - CASH AND INVESTMENTS

The Will County Regional Office of Education No. 56 utilizes several different bank accounts for its various activities. The book balance of such accounts is \$2,318,088 at June 30, 2005, while the bank balance was \$2,566,872. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2005.

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

Category 1 includes deposits covered by depository insurance or collateral held by Will County Regional Office of Education No. 56 in its name.

Category 2 includes deposits covered by collateral held by the financial institutions in a pledged safekeeping account in the name of Will County Regional Office of Education No. 56.

Category 3 includes deposits which are uncollateralized or the collateral is held by the financial institution trust department but not in the name of Will County Regional Office of Education No. 56.

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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

	Bank Balance
Category 1	\$ 140,720
Category 2	33,563
Category 3	2,156,000
Exempt	236,589
Total	\$ 2,566,872

The exempt funds are those deposited into the Illinois Funds.

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

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

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 3 - CAPITAL ASSETS

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

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2005</u>
GOVERNMENTAL FUNDS				
Equipment	\$ 60,976	\$ -	\$ -	\$ 60,976
Building improvement	83,239	-	-	83,239
	<u>144,215</u>	<u>-</u>	<u>-</u>	<u>144,215</u>
Less: accumulated depreciation	(94,003)	(20,449)	-	(114,452)
Capital assets, net	<u>\$ 50,212</u>	<u>(\$ 20,449)</u>	<u>\$ -</u>	<u>\$ 29,763</u>
PROPRIETARY FUNDS				
Equipment	\$ -	\$ 11,710	\$ -	\$ 11,710
Less: accumulated depreciation	-	(3,903)	-	(3,903)
Capital assets, net	<u>\$ -</u>	<u>\$ 7,807</u>	<u>\$ -</u>	<u>\$ 7,807</u>

NOTE 4 - SALARIES AND PENSION PLAN CONTRIBUTIONS

Salaries of the regional and assistant superintendents are paid by the State of Illinois. All other salaries with the exception of employees paid by the Professional Development Alliance (PDA) Fund, are paid by Will County. Pension plan contributions associated with these salaries are also paid respectively, by the State of Illinois and Will County. Employees of the PDA Fund and the applicable pension plan contributions are paid by the Will County Regional Office of Education No. 56.

A breakdown of the on-behalf payments for the Regional Superintendent and his first assistant are as follows:

Regional Superintendent Salary	\$ 88,540
Regional Superintendent Fringe Benefits (includes State paid insurance)	12,437
Assistant Regional Superintendent Salary	79,686
Assistant Regional Superintendent Fringe Benefits (includes State paid insurance)	18,633
TRS Pension Contributions	<u>33,923</u>
Total	<u>\$ 233,219</u>

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005**

NOTE 5 - INTERFUND TRANSFERS

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

	Transfers-out	Transfers-in
Institute Fund	(\$40,000)	
Proprietary Funds - Criminal Background Investigation		\$40,000
Education Fund - Regional Safe Schools	(97,528)	
Proprietary Funds - Local PDA Funds		97,528

NOTE 6 - RETIREMENT FUND COMMITMENTS

Teachers' Retirement System of the State of Illinois

The Regional Office of Education No. 56 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 2005 was 9 percent of creditable earnings. These contributions, which may be paid on behalf of employees by employer, are submitted to TRS by the employer. In addition, virtually all members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The employer THIS Fund contribution was 0.5 percent during the year ended June 30, 2005, and the member THIS Fund health insurance contribution was 0.75 percent.

The State of Illinois makes contributions directly to TRS on behalf of the Regional Office of Education No. 56's TRS-covered employees.

- **On-behalf Contributions.** The State of Illinois makes employer pension contributions on behalf of Regional Office of Education No. 56. For the year ended June 30, 2005, the State of Illinois contributions were based on 11.76 percent of creditable earnings, and Regional Office of Education No. 56, recognized revenue and expenditures of \$33,923 in pension contributions that the State of Illinois paid directly to TRS. For the years ended

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

June 30, 2004 and June 30, 2003, the State of Illinois contribution rates as percentages of creditable earnings were 13.98 percent (\$30,267) and 13.01 percent (\$43,778), respectively.

The Regional Office of Education No. 56 makes three other types of employer contributions directly to TRS.

- **2.2 Formula Contributions.** For the year ended June 30, 2005, and June 30, 2004, employers were required to contribute 0.58 percent of creditable earnings for the 2.2 formula change. Contributions for the years ended June 30, 2005, and June 30, 2004 were \$1,673 and \$1,950, respectively. For the year ended June 30, 2003, part of the employer's 2.2 formula contribution (0.58 percent of pay) was reduced as a result of a new employer THIS Fund contribution for retiree health insurance (0.4 percent of pay). The remaining 0.18 percent was submitted to TRS. Contributions for the year ended June 30, 2003 were \$876.
- **Federal and Trust Fund Contributions.** When TRS members are paid from federal and trust funds administered by Regional Office of Education No. 56, there is a statutory requirement for Regional Office of Education No. 56 to pay an employer pension contribution from those funds. For the three years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2005, salaries totaling \$143,036 were paid from federal and trust funds that required employer contributions of \$15,019. For the years ended June 30, 2004 and June 30, 2003, required Regional Office of Education No. 56 contributions were \$1,282 and \$635, respectively.
- **Early Retirement Option.** Regional Office of Education No. 56 is also required to make one-time employer contributions to TRS for members who retired under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member. No member or employer contributions are required if the member has 34 years of service. The maximum employer payment of 100 percent of the member's highest salary used in the calculation of final average salary is required if the member is 55 years old. For the year ended June 30, 2005, the Regional Office of Education No. 56 paid \$1,184 for employer contributions under the Early Retirement Option. For the years ended June 30, 2004 and June 30, 2003, the Regional Office of Education No. 56 made employer contributions under the early retirement option amounting to \$19,724 and \$0, respectively.

Changes

Public Act 94-0004, which was signed into law on June 1, 2005, contained a number of provisions affecting employer and active member contributions. Most will not be effective

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

or impact financial statements until the year ending June 30, 2006. The changes are summarized below:

- **Active member contributions.** The active member contribution rate will increase from the current 9.0 percent of creditable earnings to 9.4 percent beginning July 1, 2005. The increase is to help cover the cost of the new ERO program and will be refunded if the member does not retire under ERO.
- **State/federal contributions.** Under a policy adopted by the Board of Trustees before Public Act 94-0004 was enacted, the employer contribution rate for employees paid from federal funds will be the same as the rate paid by the state. Under Public Act 94-0004, the state contribution rate in FY 2006 was reduced to 7.06 percent of pay. Therefore, the employer contribution rate for employees paid from federal funds in FY 2006 will be 7.06 percent, a decrease from the current 10.50 percent.
- **New employer contributions.**
 - **Salary increases over 6 percent.** If employers grant salary increases in excess of 6 percent that are used in final average salary calculations, the employer will make a lump-sum contribution to TRS to cover the cost of the portion of the benefit due to salary increases over 6 percent. Public Act 94-0004 exempts salary increases granted under contracts and collective bargaining agreements in effect on June 1, 2005.
 - **Sick leave in excess of normal allotment.** If employers grant sick leave near retirement in excess of the normal allotment and that sick leave is counted as service credit, the employer will make a lump-sum contribution to TRS. The act exempts sick leave granted under contracts and collective bargaining agreements in effect on June 1, 2005.
- **Early Retirement Option.** In addition to the changes described above, the following changes were made to ERO:
 - Both active member and employer ERO contribution rates are increased. For employers, the maximum contribution increases from the current 100 percent of the member's highest salary used in the calculation of final average salary to 117.5 percent.
 - The waiver of member and employer ERO contributions when the member has 34 years of service ended with the program that expired June 30, 2005.
 - A "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007.
 - Public Act 94-0004 provides for a review of the member and employer ERO contributions every five years to ensure that the program is revenue neutral.

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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

Illinois Municipal Retirement Fund

The Will County Regional Office of Education No. 56's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a financial report that includes financial statements and required supplementary information. The report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by state statute. The Will County Regional Office of Education No. 56 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2004 was 7.32 percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2004 was 3 years.

For December 31, 2004, the Will County Regional Office of Education No. 56's annual pension cost of \$29,013 was equal to the Will County Regional Office of Education No. 56'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 percent investment rate of return (net of administrative expense), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor.

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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>
12/31/04	\$ 29,013	100%	\$ -
12/31/03	39,609	100%	-
12/31/02	43,782	100%	-
12/31/01	40,485	100%	-
12/31/00	32,758	100%	-
12/31/99	30,269	100%	-
12/31/98	25,149	100%	-
12/31/97	13,996	100%	-
12/31/96	4,927	100%	-

NOTE 7 - RENTAL OF OFFICE SPACE

Will County Regional Office of Education No. 56 rents office space for Professional Development Alliance Fund operations. A renewal of the lease term was made on June 11, 2003 for the lease period June 1, 2004 through May 31, 2007, with monthly rental of \$6,000. Rental expense for the year ended June 30, 2005 was \$72,000.

Future minimum lease payments are:

<u>Year Ending June 30</u>	<u>Amount</u>
2006	\$ 72,000
2007	30,000
Total	<u>\$ 102,000</u>

NOTE 8 - DUE FROM ILLINOIS STATE BOARD OF EDUCATION

The following programs of the Will County Regional Office of Education No. 56 have funds due from Illinois State Board of Education:

<u>Programs</u>	<u>Amount</u>
ROE/ISC Operations	\$ 141
Other State Programs	82,851
Total	<u>\$ 82,992</u>

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

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2005**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	\$353,163	\$370,665	\$17,502	95.28%	\$396,348	4.42%
12/31/03	328,350	380,826	52,476	86.22%	409,183	12.82%
12/31/02	301,268	292,139	(9,129)	103.12%	393,726	0.00%
12/31/01	200,407	225,111	24,704	89.03%	375,210	6.58%
12/31/00	118,200	165,657	47,457	71.35%	289,890	16.37%
12/31/99	90,988	132,513	41,525	68.66%	249,748	16.63%
12/31/98	49,492	97,107	47,615	50.97%	191,106	24.92%
12/31/97	14,760	58,483	43,723	25.24%	153,820	28.42%

On a market value basis, the actuarial value of assets as of December 31, 2004 is \$354,143. On a market basis, the funded ratio would be 95.54%.

***Digest of Changes**

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

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

SUPPLEMENTARY INFORMATION

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 GENERAL FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2005

SCHEDULE 1

	ROE/ISC Operations	General Operations	Total
ASSETS			
Cash	\$ (141)	\$ 7,082	\$ 6,941
Due from other governments	141	-	141
TOTAL ASSETS	<u>-</u>	<u>7,082</u>	<u>7,082</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	-	-	-
Due to other governments	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Fund balances, unrestricted and undesignated	<u>-</u>	<u>7,082</u>	<u>7,082</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 7,082</u>	<u>\$ 7,082</u>

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 2

	<u>ROE/ISC Operations</u>	<u>General Operations</u>	<u>Total</u>
REVENUES			
State sources	\$ 261,636	\$ -	\$ 261,636
Local sources			
Intergovernmental	-	16,429	16,429
Interest	-	87	87
On-behalf payments	-	233,219	233,219
	<u>261,636</u>	<u>249,735</u>	<u>511,371</u>
Total revenues			
EXPENDITURES			
Salaries	153,562	-	153,562
Benefits	43,252	-	43,252
Purchased services	64,822	8,591	73,413
Supplies and materials	-	3,990	3,990
Miscellaneous	-	1,738	1,738
On-behalf payments	-	233,219	233,219
	<u>261,636</u>	<u>247,538</u>	<u>509,174</u>
Total expenditures			
EXCESS OF REVENUES OVER EXPENDITURES	-	2,197	2,197
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR	<u>-</u>	<u>4,885</u>	<u>4,885</u>
FUND BALANCE, UNRESERVED, END OF YEAR	<u>\$ -</u>	<u>\$ 7,082</u>	<u>\$ 7,082</u>

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
GENERAL FUND
BUDGETARY COMPARISON SCHEDULES - ROE OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2005**

SCHEDULE 3

	<u>ROE/ISC Operations</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
State sources	\$ 261,636	\$ 261,636	\$ -
EXPENDITURES			
Salaries	153,562	153,562	-
Benefits	43,252	43,252	-
Purchased services	64,822	64,822	-
Total expenditures	<u>261,636</u>	<u>261,636</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR		<u>-</u>	
FUND BALANCE, UNRESERVED, END OF YEAR		<u>\$ -</u>	

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2005

SCHEDULE 4

	FY 2003/2002 Education to Careers	FY 2005/2004 Education to Careers	Regional Safe Schools	General State Aid	Title IV- Community Service	Title IV - 21st Century Community Learning Centers	Total
ASSETS							
Cash	\$ -	\$ 120	\$ 110,952	\$ 261,310	\$ 48	\$ 216,581	\$ 589,011
TOTAL ASSETS	-	120	110,952	261,310	48	216,581	589,011
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	-	-	108,837	3,409	-	-	112,246
Deferred revenues	-	-	-	-	-	216,581	216,581
Total liabilities	-	-	108,837	3,409	-	216,581	328,827
FUND BALANCES							
Fund balances (deficit), unreserved	-	120	2,115	257,901	48	-	260,184
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 120	\$ 110,952	\$ 261,310	\$ 48	\$ 216,581	\$ 589,011

SCHEDULE 5

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 EDUCATION FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2005

	FY 2003/2002 Education to Careers	FY 2005/2004 Education to Careers	Regional Safe Schools	General State Aid	Title IV - Community Service	Title IV - 21st Century Community Learning Centers	Total
REVENUES							
Local sources							
Interest	-	120	1,380	2,508	(35)	2,161	6,134
Miscellaneous	-	-	-	5,347	-	-	5,347
State revenue	-	-	702,595	838,130	-	-	1,540,725
Federal revenue	-	36,237	132,490	167,626	11,086	1,487,953	1,835,392
Total revenues	-	36,357	836,465	1,013,611	11,051	1,490,114	3,387,598
EXPENDITURES							
Salaries	-	-	-	-	-	669,289	669,289
Benefits	-	-	-	-	-	102,930	102,930
Purchased services	-	30,246	-	-	11,003	552,245	593,494
Supplies and materials	175	6,043	-	-	-	165,650	171,868
Payments to other governments	-	-	737,557	1,000,054	-	-	1,737,611
Total expenditures	175	36,289	737,557	1,000,054	11,003	1,490,114	3,275,192
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(175)	68	98,908	13,557	48	-	112,406
OTHER FINANCING USES							
Transfers out	-	-	(97,528)	-	-	-	(97,528)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(175)	68	1,380	13,557	48	-	14,878
FUND BALANCES, UNRESERVED, BEGINNING OF YEAR	175	52	735	244,344	-	-	245,306
FUND BALANCES (DEFICIT), UNRESERVED, END OF YEAR	-	120	2,115	257,901	48	-	260,184

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 EDUCATION FUND
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 6

	FY 2005/2004 Education to Careers			Regional Safe Schools		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Federal sources	\$ 36,237	\$ 36,237	\$ -	\$ 132,490	\$ 132,490	\$ -
State sources	-	-	-	583,196	702,595	119,399
Local sources:						
Interest	-	120	120	-	1,380	1,380
Total revenues	<u>36,237</u>	<u>36,357</u>	<u>120</u>	<u>715,686</u>	<u>836,465</u>	<u>120,779</u>
EXPENDITURES						
Salaries	-	-	-	-	-	-
Benefits	-	-	-	-	-	-
Purchased services	31,237	30,246	991	-	-	-
Supplies and materials	5,000	6,043	(1,043)	-	-	-
Payments to other governments	-	-	-	715,686	737,557	(21,871)
Total expenditures	<u>36,237</u>	<u>36,289</u>	<u>(52)</u>	<u>715,686</u>	<u>737,557</u>	<u>(21,871)</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	68	\$ 68	\$ -	98,908	\$ 98,908
OTHER FINANCING USES						
Transfers out	-	-	-	-	(97,528)	(97,528)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES						
		68			1,380	
FUND BALANCES, July 1, 2004		<u>52</u>			<u>735</u>	
FUND BALANCES (DEFICIT), June 30, 2005	\$ -	<u>120</u>		\$ -	<u>2,115</u>	

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 EDUCATION FUND
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 6
 (CONTINUED)

	Title IV - 21st Century Community Learning Centers			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Federal sources	\$ 1,640,315	\$ 1,487,953	\$ (152,362)	\$ 1,809,042	\$ 1,656,680	\$ (152,362)
State sources	-	-	-	583,196	702,595	119,399
Local sources:						
Interest	-	2,161	2,161	-	3,661	3,661
Total revenues	<u>1,640,315</u>	<u>1,490,114</u>	<u>(150,201)</u>	<u>2,392,238</u>	<u>2,362,936</u>	<u>(29,302)</u>
EXPENDITURES						
Salaries	785,840	669,289	116,551	785,840	669,289	116,551
Benefits	118,880	102,930	15,950	118,880	102,930	15,950
Purchased services	533,595	552,245	(18,650)	564,832	582,491	(17,659)
Supplies and materials	202,000	165,650	36,350	207,000	171,693	35,307
Payments to other governments	-	-	-	715,686	737,557	(21,871)
Total expenditures	<u>1,640,315</u>	<u>1,490,114</u>	<u>150,201</u>	<u>2,392,238</u>	<u>2,263,960</u>	<u>128,278</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ 98,976	\$ 98,976
OTHER FINANCING USES						
Transfers out	-	-	-	-	(97,528)	(97,528)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES						
					1,448	1,448
FUND BALANCES, July 1, 2004					787	787
FUND BALANCES (DEFICIT), June 30, 2005	\$ -	\$ -	\$ -	\$ -	\$ 2,235	\$ 2,235

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROFESSIONAL DEVELOPMENT ALLIANCE FUNDS
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2005

SCHEDULE 7

	Learning Technology Center	Standards Aligned Classroom - Area I	Standards Aligned Classroom - Fair - 22	FY 2004 Title I - Reading First Part B SEA Funds-02	FY 2005 Title I - Reading First Part B SEA Funds-02	FY 2005/2004 Reading First Services-04
ASSETS						
Cash (overdrafts)	\$ 233	\$ -	\$ -	\$ -	\$ 14,855	\$ 8,986
Due from ISBE	-	-	-	-	-	-
TOTAL ASSETS	<u>233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,855</u>	<u>8,986</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	233	-	-	-	4,714	-
Deferred revenues	-	-	-	-	10,141	8,986
Total liabilities	<u>233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,855</u>	<u>8,986</u>
FUND BALANCES						
Fund balances, unreserved	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 233</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,855</u>	<u>\$ 8,986</u>

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROFESSIONAL DEVELOPMENT ALLIANCE FUNDS
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2005

SCHEDULE 7
 (CONTINUED)

	Title I Reading First Part B SEA Funds-00	Reading First Services-01	FY 2004 Technology Enhancing Education Competitive	FY 2004 Title I - School Improvement and Accountability	FY 2004 Title II - Teacher Quality Leadership Grant	Other State Programs (Support Services)
ASSETS						
Cash (overdrafts)	\$ 1,800	\$ 5,589	\$ -	\$ -	\$ -	\$ -
Due from ISBE	-	-	-	-	-	-
TOTAL ASSETS	<u>1,800</u>	<u>5,589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	1,800	-	-	-	-	-
Deferred revenues	-	5,589	-	-	-	-
Total liabilities	<u>1,800</u>	<u>5,589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Fund balances, unreserved	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,800</u>	<u>\$ 5,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROFESSIONAL DEVELOPMENT ALLIANCE FUNDS
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2005

SCHEDULE 7
 (CONTINUED)

	K-6 Reading Improvement	Title V Innovative Leadership	FY 2005 I - School Improvement & Accountability	FY 2005 Title II-Teacher Quality Leadership Grant	FY 2005 State Programs	FY 2005 Other Programs	FY 2005 Technology Enhancing Education- Competitive	Total
ASSETS								
Cash (overdrafts)	\$ -	\$ 282	\$ 354,400	\$ 65,412	\$ -	\$ (60,538)	\$ 67,663	\$ 458,682
Due from ISBE	-	-	-	-	82,851	-	-	82,851
TOTAL ASSETS	-	282	354,400	65,412	22,313	67,663	541,533	
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	-	282	219,924	5,236	22,313	22,595	277,097	
Deferred revenues	-	-	134,476	60,176	-	45,068	264,436	
Total liabilities	-	282	354,400	65,412	22,313	67,663	541,533	
FUND BALANCES								
Fund balances, unreserved	-	-	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 282	\$ 354,400	\$ 65,412	\$ 22,313	\$ 67,663	\$ 541,533	

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROFESSIONAL DEVELOPMENT ALLIANCE FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 8

	Learning Technology Center	Standards Aligned Classroom - Arca I	Standards Aligned Classroom - Fair 22	FY 2004 Title I - Reading First Part B SEA Funds-02	FY 2005 Title I - Reading First Part B SEA Funds-02	FY 2005/2004 Reading First Services-04
REVENUES						
State revenues	\$ 146,231	\$ -	\$ -	\$ -	\$ -	\$ -
Federal revenues	-	147,600	6,000	10,828	69,809	29,880
Total revenues	<u>146,231</u>	<u>147,600</u>	<u>6,000</u>	<u>10,828</u>	<u>69,809</u>	<u>29,880</u>
EXPENDITURES						
Salaries	91,411	-	-	5,177	22,450	16,765
Benefits	31,022	-	-	1,214	5,453	4,125
Purchased services	16,621	29,500	-	4,147	36,082	8,023
Supplies and materials	4,467	5,613	-	290	5,524	967
Capital expenditures	2,710	-	-	-	-	-
Payments to other governments	-	103,327	6,000	-	-	-
Miscellaneous	-	9,160	-	-	300	-
Total expenditures	<u>146,231</u>	<u>147,600</u>	<u>6,000</u>	<u>10,828</u>	<u>69,809</u>	<u>29,880</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-	-	-
FUND BALANCES (DEFICIT), UNRESERVED, BEGINNING OF YEAR	-	-	-	-	-	-
FUND BALANCES, UNRESERVED, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROFESSIONAL DEVELOPMENT ALLIANCE FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 8
 (CONTINUED)

	Title I - Reading First Part B SEA Funds-00	Reading First Services-01	FY 2004 Technology Enhancing Education Competitive	FY 2004 Title I - School Improvement and Accountability	FY 2004 Title II - Teacher Quality Leadership Grant	Other State Programs (Support Services)
REVENUES						
State revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,279
Federal revenues	36,627	27,739	34,137	99,297	15,270	-
Total revenues	<u>36,627</u>	<u>27,739</u>	<u>34,137</u>	<u>99,297</u>	<u>15,270</u>	<u>75,279</u>
EXPENDITURES						
Salaries	15,505	17,037	-	15,453	-	9,925
Benefits	4,313	5,012	-	4,165	-	2,416
Purchased services	16,809	5,690	31,760	28,930	4,421	9,117
Supplies and materials	-	-	1,440	11,213	-	1,889
Capital expenditures	-	-	-	-	-	-
Payments to other governments	-	-	937	-	9,449	51,932
Miscellaneous	-	-	-	39,536	1,400	-
Total expenditures	<u>36,627</u>	<u>27,739</u>	<u>34,137</u>	<u>99,297</u>	<u>15,270</u>	<u>75,279</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-	-	-
FUND BALANCES (DEFICIT), UNRESERVED, BEGINNING OF YEAR	-	-	-	-	-	-
FUND BALANCES, UNRESERVED, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROFESSIONAL DEVELOPMENT ALLIANCE FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 8
 (CONTINUED)

	K-6 Reading Improvement	Title V		FY 2005 I - School Improvement & Accountability	FY 2005 Title II-Teacher Quality Leadership Grant		FY 2005 Other State Programs	FY 2005		Total
		Innovative Leadership						Technology Enhancing Education- Competitive		
REVENUES	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ 130,400	\$ 140,000	\$ -	\$ -	\$ 366,510
State revenues	-	50,000	-	1,379,260	-	130,400	-	-	848,018	2,884,865
Federal revenues	5,000	50,000	-	1,379,260	-	130,400	140,000	-	848,018	3,251,375
Total revenues										
EXPENDITURES	-	-	81,161	27,188	31,892	80,810	414,774			
Salaries	-	-	28,049	7,649	6,589	19,002	119,009			
Benefits	5,000	9,727	263,946	16,591	15,148	272,965	774,477			
Purchased services	-	2,518	9,195	4,704	2,371	44,245	94,436			
Supplies and materials	-	10,755	-	-	-	372,666	386,131			
Capital expenditures	-	27,000	996,909	74,268	84,000	58,330	1,412,152			
Payments to other governments	-	-	-	-	-	-	-			
Miscellaneous	-	50,000	-	-	-	-	-			
Total expenditures	5,000	50,000	1,379,260	130,400	140,000	848,018	3,251,375			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-	-	-	-	-	-	-
FUND BALANCES (DEFICIT), UNRESERVED, BEGINNING OF YEAR	-	-	-	-	-	-	-	-	-	-
FUND BALANCES, UNRESERVED, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROFESSIONAL DEVELOPMENT ALLIANCE FUNDS
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 9

	Learning Technology Center			Title I - Reading First Part B SEA Funds-00			FY 2005 Title I - Reading First Part B SEA Funds-02		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
Federal sources	\$ -	\$ -	\$ -	\$ 36,627	\$ 36,627	\$ -	\$ 84,459	\$ 69,809	\$ (14,650)
State sources	146,231	146,231	-	-	-	-	-	-	-
Total revenues	146,231	146,231	-	36,627	36,627	-	84,459	69,809	(14,650)
EXPENDITURES									
Salaries	93,000	91,411	1,589	14,000	15,505	(1,505)	22,450	22,450	-
Benefits	32,000	31,022	978	3,602	4,313	(711)	5,453	5,453	-
Purchased services	13,731	16,621	(2,890)	19,025	16,809	2,216	36,082	36,082	-
Supplies and materials	4,000	4,467	(467)	-	-	-	6,074	5,524	550
Capital expenditures	3,500	2,710	790	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	300	(300)
Payments to other governments	-	-	-	-	-	-	14,400	-	14,400
Total expenditures	146,231	146,231	-	36,627	36,627	-	84,459	69,809	14,650
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCE, July 1, 2004	-	-	-	-	-	-	-	-	-
FUND BALANCE, June 30, 2005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROFESSIONAL DEVELOPMENT ALLIANCE FUNDS
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 9
 (CONTINUED)

	Title V Innovative Leadership			FY 2005 Title I - School Improvement & Accountability			FY 2005 Title II-Teacher Quality Leadership Grant		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
Federal sources	\$ 50,000	\$ 50,000	\$ -	\$ 1,822,758	\$ 1,379,260	\$ (443,498)	\$ 216,377	\$ 130,400	\$ (85,977)
State sources	-	-	-	-	-	-	-	-	-
Total revenues	50,000	50,000	-	1,822,758	1,379,260	(443,498)	216,377	130,400	(85,977)
EXPENDITURES									
Salaries	-	-	-	111,500	81,161	30,339	35,000	27,188	7,812
Benefits	-	-	-	39,933	28,049	11,884	13,350	7,649	5,701
Purchased services	11,000	9,727	1,273	252,775	263,946	(11,171)	39,096	16,591	22,505
Supplies and materials	3,000	2,518	482	20,000	9,195	10,805	5,435	4,704	731
Capital expenditures	9,000	10,755	(1,755)	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Payments to other governments	27,000	27,000	-	1,398,550	996,909	401,641	123,496	74,268	49,228
Total expenditures	50,000	50,000	-	1,822,758	1,379,260	443,498	216,377	130,400	85,977
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCE, July 1, 2004	-	-	-	-	-	-	-	-	-
FUND BALANCE, June 30, 2005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROFESSIONAL DEVELOPMENT ALLIANCE FUNDS
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 9
 (CONTINUED)

	FY 2005 Other State Programs		Technology Enhancing Education-Competitive		Total		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	Budget	Actual	
REVENUES							
Federal sources	\$ -	\$ -	\$ 935,861	\$ 848,018	\$ 3,146,082	\$ 2,514,114	\$ (631,968)
State sources	140,000	140,000	-	-	286,231	286,231	-
Total revenues	140,000	140,000	935,861	848,018	3,432,313	2,800,345	(631,968)
EXPENDITURES							
Salaries	30,000	31,892	109,655	80,810	415,605	350,417	65,188
Benefits	8,200	6,589	31,993	19,002	134,531	102,077	32,454
Purchased services	14,800	15,148	322,413	272,965	708,922	647,889	61,033
Supplies and materials	3,000	2,371	47,800	44,245	89,309	73,024	16,285
Capital expenditures	-	-	364,000	372,666	376,500	386,131	(9,631)
Miscellaneous	-	-	-	-	-	300	(300)
Payments to other governments	84,000	84,000	60,000	58,330	1,707,446	1,240,507	466,939
Total expenditures	140,000	140,000	935,861	848,018	3,432,313	2,800,345	631,968
EXCESS OF REVENUES OVER EXPENDITURES							
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCE, July 1, 2004							
	-	-	-	-	-	-	-
FUND BALANCE, June 30, 2005							
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 NON-MAJOR SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2005

SCHEDULE 10

	General Education Development	School Bus Driver Training	Supervisory	Lambert	Total
ASSETS					
Cash	\$ 32,378	\$ 13,620	\$ 719	\$ 837	\$ 47,554
TOTAL ASSETS	32,378	13,620	719	837	47,554
FUND BALANCES					
Fund balances, unreserved	32,378	13,620	719	837	47,554
TOTAL FUND BALANCES	\$ 32,378	\$ 13,620	\$ 719	\$ 837	\$ 47,554

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 NON-MAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 11

	General Education Development	School Bus Driver Training	Supervisory	Lambert	Total
REVENUES					
State revenue	\$ -	\$ 1,440	\$ 1,000	\$ -	\$ 2,440
Local sources					
Fees for services	54,873	6,950	-	-	61,823
Interest income	410	181	16	12	619
Total revenues	55,283	8,571	1,016	12	64,882
EXPENDITURES					
Purchased services	37,076	3,490	-	-	40,566
Supplies and materials	11,715	-	-	-	11,715
Capital expenditures	2,741	-	-	-	2,741
Miscellaneous	42	494	251	356	1,143
Total expenditures	51,574	3,984	251	356	56,165
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,709	4,587	765	(344)	8,717
FUND BALANCES (DEFICIT), UNRESERVED, BEGINNING OF YEAR	28,669	9,033	(46)	1,181	38,837
FUND BALANCES, UNRESERVED, END OF YEAR	\$ 32,378	\$ 13,620	\$ 719	\$ 837	\$ 47,554

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 AGENCY FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2005

SCHEDULE 12

	<u>Distributive</u>	<u>Forest Conservation Fund</u>	<u>Total</u>
ASSETS			
Cash	<u>\$ 6,980</u>	<u>\$ -</u>	<u>\$ 6,980</u>
LIABILITIES			
Distributives payable	6,980	-	6,980
Due to other government	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 6,980</u>	<u>\$ -</u>	<u>\$ 6,980</u>

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 13

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
DISTRIBUTIVE				
ASSETS				
Cash	\$ 4,783	\$ 6,289,077	\$ 6,286,880	\$ 6,980
LIABILITIES				
Distributives payable	\$ 4,783	\$ 6,289,077	\$ 6,286,880	\$ 6,980
FOREST CONSERVATION FUND				
ASSETS				
Cash	\$ -	112,237	112,237	\$ -
LIABILITIES				
Due to other governmental units	\$ -	112,237	112,237	\$ -
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 4,783	6,401,314	6,399,117	\$ 6,980
LIABILITIES				
Distributives payable	4,783	6,289,077	6,286,880	6,980
Due to other governmental units	-	112,237	112,237	-
Total liabilities	\$ 4,783	\$ 6,401,314	\$ 6,399,117	\$ 6,980

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT
 TREASURERS AND OTHER ENTITIES
 DISTRIBUTIVE FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	Education Fund	Professional Development Alliance	Will County Regional Office of Education	Illinois State Board of Education	Total
General State Aid	\$ 1,005,756	\$ -	\$ -	\$ -	\$ 1,005,756
ROE School Bus Driver Training	-	-	1,440	-	1,440
Alternative Education	735,856	-	-	-	735,856
ROE/ISC Operations	-	261,495	-	-	261,495
Supervisory Expense	-	-	1,000	-	1,000
Technology for Schools - Networks	-	146,231	-	-	146,231
Other Restricted Grant-in-Aid from State Sources	-	125,251	-	-	125,251
IASA - Title VI - SEA	-	50,000	-	-	50,000
Title I - School Improvement	-	1,158,979	-	-	1,158,979
Title I - Reading First Part B SEA Funds	-	116,577	-	-	116,577
Title IV - Community Service	15,792	-	-	-	15,792
21st Century Community Learning Centers Program	681,369	-	-	-	681,369
21st Century Kids Club II	878,815	-	-	-	878,815
Education to Careers Transition Grant	36,237	-	-	-	36,237
ESEA-Title II - Teacher Quality - Leadership Grant	-	106,199	-	-	106,199
Technology Enhancing Education - Competitive	-	892,150	-	-	892,150
Miscellaneous	-	-	-	73,733	73,733
	\$ 3,353,825	\$ 2,856,882	\$ 2,440	\$ 73,733	\$ 6,286,880

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 15

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2005 Expenditures
DEPARTMENT OF EDUCATION			
State Grants for Innovative Programs			
Passed-Through Illinois State Board of Education Title V - Innovative Programs - SEA Projects	84.298A	2005-4105-SS	\$ 50,000
Title I Grants to Local Educational Agencies			
Passed-Through Illinois State Board of Education Title I - School Improvement & Accountability	(M) 84.010A	2004-4331-SS	99,297
Title I - School Improvement & Accountability	(M) 84.010A	2005-4331-SS	1,379,260
			<u>1,478,557</u>
Reading First State Grants			
Passed-Through Illinois State Board of Education Title I - Reading First Part B SEA Funds	84.357A	2005-4337-00	36,627
Title I - Reading First Part B SEA Funds	84.357A	2005-4337-02	69,809
Title I - Reading First Part B SEA Funds	84.357A	2004-4337-02	10,828
Passed-Through Lake County Regional Office of Education No. 34 Reading First Services-01	84.357A		27,739
Reading First Services-04	84.357A		29,880
			<u>174,883</u>
Twenty-First Century Community Learning Centers			
Passed-Through Illinois State Board of Education Title IV - 21st Century Community Learning Centers	(M) 84.287C	2005-4421-00	705,128
Title IV - 21st Century Community Learning Centers	(M) 84.287C	2005-4421-05	782,825
			<u>1,487,953</u>
Safe and Drug Free Schools and Communities National Program			
Passed-Through Illinois State Board of Education Title IV - Community Service	84.184C	2004-4420-00	11,086
Improving Teacher Quality State Grants			
Passed-Through Illinois State Board of Education Title II - Teacher Quality - Leadership Grant	84.367A	2004-4935-SS	15,270
Title II - Teacher Quality - Leadership Grant	84.367A	2005-4935-SS	130,400
			<u>145,670</u>
Education Technology State Grants			
Passed-Through Illinois State Board of Education Technology - Enhancing Education - Competitive	(M) 84.318X	2004-4972-00	34,137
Technology - Enhancing Education - Competitive	(M) 84.318X	2005-4972-00	848,018
			<u>882,155</u>
Other Federal Grants			
Passed-Through Clark, Coles, Cumberland, Douglas, Edgar, Moultrie and Shelby Counties Regional Office of Education No. 11 Standards Aligned Classroom Grant	84.289A	2005-4999-00	147,600
Standards Aligned Classroom Grant - Fair	84.289A	2005-4999-00	6,000
			<u>153,600</u>
TOTAL DEPARTMENT OF EDUCATION			\$ 4,383,904
DEPARTMENT OF LABOR			
Youth Opportunity Grants			
Passed-Through Illinois State Board of Education Education to Careers-Implementation (DOL)	17.263	2005-4777-00	\$ 36,237
TOTAL DEPARTMENT OF LABOR			\$ 36,237
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Temporary Assistance for Needy Families			
Passed-Through Illinois State Board of Education Regional Safe Schools (TANF)	(M) 93.558	2005-3696-00	\$ 132,490
Regional Safe Schools - General State Aid (Sec. 18-8) (TANF)	(M) 93.558	2005-3001-93	167,626
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 300,116
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,720,257

(M) Program was audited as a major program

The accompanying notes are an integral part of this statement.

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2005**

Note 1. Reporting Entity Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Will County Regional Office of Education No. 56 and is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2. Subrecipients

The Will County Regional Office of Education No. 56 provided federal awards totaling \$1,107,625 to the following:

<u>Grant Title / CFDA #</u>	DuPage County Regional Office of Education No. 19	Kane County Regional Office of Education No. 31	Lake County Regional Office of Education No. 34	Total
Title V - Innovative Programs - SEA Projects (CFDA #84.298)	\$ 9,000	\$ 9,000	\$ 9,000	\$ 27,000
Title I - School Improvement & Accountability (CFDA #84.010A)	167,139	455,887	373,883	996,909
Title II - Teacher Quality - Leadership Grant (CFDA #84.367A)	21,000	34,254	28,462	83,716
Total	<u>\$197,139</u>	<u>\$499,141</u>	<u>\$411,345</u>	<u>\$1,107,625</u>

Note 3. Description of Major Federal Programs

The Title IV - 21st Century Community Learning Centers provide academic enrichment opportunities for children, particularly students who attend high-poverty and low-performing schools. The program helps students meet state and local student standards in core academic subjects, such as reading and math; offers students a broad array of enrichment activities that

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

can complement their regular academic programs; and offers literacy and other educational services to the families of participating children.

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

Technology - Enhancing Education - Competitive - Accounts for revenues and expenditures used to train online Atlas Rubicon Curriculum Mapping, online testing of students using Northwest Evaluation Association, and professional development for teachers.

Title I - School Improvement and Accountability - Accounts for grant monies received for, and payment of, expenditures of the Title I - School Improvement and Accountability Fund. This grant provides school districts with funds to carry out their school improvement and corrective action responsibilities under Section 1116(c) of Title I while offering students in schools identified for improvement and corrective action the opportunity to transfer to another higher performing public school, including a public charter school within the district.

Note 4. Non-Cash Assistance

Not applicable.

Note 5. Amount of Insurance

Not applicable.

Note 6. Loan or Loan Guarantees Outstanding

Not applicable.