

**State of Illinois
CARROLL, JO DAVIESS, AND
STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
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**

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8**

TABLE OF CONTENTS

	PAGE
OFFICIALS	1
COMPLIANCE REPORT SUMMARY	2
FINANCIAL STATEMENT REPORT SUMMARY	3
INDEPENDENT AUDITOR’S REPORT	4
INDEPENDENT AUDITOR’S 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	6
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	8
Schedule of Findings and Questioned Costs.....	10
Corrective Action Plan for Current Year Audit Findings	15
Summary Schedule of Prior Audit Findings	17
Management’s Discussion and Analysis.....	18
BASIC FINANCIAL STATEMENTS	33

EXHIBIT

Government-wide Financial Statements:	
Statement of Net Assets	A.....34
Statement of Activities.....	B.....35
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds	C.....36
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	D.....37
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	E.....38
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities Governmental Funds	F.....39

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8**

TABLE OF CONTENTS (Continued)

	PAGE
BASIC FINANCIAL STATEMENTS (Continued)	
	EXHIBIT
Proprietary Fund Financial Statements:	
Statement of Net Assets - Proprietary Funds G.....	40
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds H.....	41
Statement of Cash Flows - Proprietary Funds..... I.....	42
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets - Fiduciary Funds..... J.....	43
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds..... K.....	44
Summary of Significant Accounting Policies.....	45
Notes to Financial Statements.....	53
REQUIRED SUPPLEMENTAL INFORMATION	63
Schedule of Funding Progress - Illinois Municipal Retirement Fund (Unaudited).....	64
SUPPLEMENTAL INFORMATION	65
	SCHEDULE
General Fund:	
Combining Schedule of Accounts	1.....66
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	2.....67
Budgetary Comparison Schedule.....	3.....68
Education Fund Accounts:	
Combining Schedule of Accounts	4.....69
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	5.....71
Education Fund Accounts - Budgetary Comparison Schedule.....	6.....73
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	7.....77
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	8.....78

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8**

TABLE OF CONTENTS (Continued)

	PAGE
SUPPLEMENTAL INFORMATION (Continued)	
	SCHEDULE
Fiduciary Funds:	
Combining Statement of Fiduciary Net Assets - Private-Purpose Trust Funds.....9.....	79
Combining Statement of Changes in Fiduciary Net Assets - Private-Purpose Trust Funds.....10.....	80
Combining Statement of Fiduciary Net Assets - Agency Funds.....11.....	81
Combining Statement of Changes in Assets and Liabilities - Agency Funds.....12.....	82
Schedule of Disbursements to School District Treasurers and Other Entities	13.....83
Schedule of Expenditures of Federal Awards.....	14.....84
Notes to the Schedule of Expenditures of Federal Awards	85

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8**

OFFICIALS

Regional Superintendent (retired effective June 27, 2005)	Honorable John B. Lang
Regional Superintendent (acting effective June 28, 2005)	Honorable Marie Stiefel
Assistant Regional Superintendent (resigned effective June 27, 2005)	Marie Stiefel
Assistant Regional Superintendent (acting effective August 1, 2005)	John B. Lang
Assistant Regional Superintendent (acting effective September 1, 2005)	Cathy Finch

Office is located at:

500 N. Rush St.
Stockton, Illinois 61085

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8**

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.

AUDITOR'S REPORTS

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	2	1
Repeated audit findings	0	0
Prior recommendations implemented or not repeated	1	1

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	11	Inaccurate expenditure report
05-2	12-13	Controls Over Compliance with Laws and Regulations
PRIOR FINDINGS NOT REPEATED (GOVERNMENTAL AUDITING STANDARDS)		
04-1	17	Mandate compliance

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on October 7, 2005. Attending were Honorable Marie Stiefel, Regional Superintendent, Ms. Linda Willy, Bookkeeper, and Ms. Beth McGrath, CPA. Responses to the recommendations were provided by Honorable Marie Stiefel, Regional Superintendent, on October 7, 2005.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8**

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 was performed by Clifton Gunderson LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's basic financial statements.

INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8, as of and for the year ended June 30, 2005, which collectively comprise the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8, 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 October 7, 2005 on our consideration of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 18 through 32 and 64 are not a required part of the basic financial statements but are supplemental 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 supplemental 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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's basic financial statements. The accompanying supplemental information, such as the combining and individual nonmajor fund financial statements, budgetary comparison schedules and the 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 of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Henderson LLP

DeWitt, Iowa
October 7, 2005

**INDEPENDENT AUDITOR'S 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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8, as of and for the year ended June 30, 2005, which collectively comprise the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's basic financial statements and have issued our report thereon dated October 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 the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are required by the *Guidelines to Auditing and Reporting for a Regional Office of Education*, to be reported on the accompanying Schedule of Findings and Questioned Costs as items 05-1 and 05-2.

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.

Clifton Gundersen LLP

DeWitt, Iowa
October 7, 2005



**Clifton
Gunderson LLP**

Certified Public Accountants & Consultants

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's management. Our responsibility is to express an opinion on the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's compliance with those requirements.

In our opinion, the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 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. The results of our tests disclosed no instances of noncompliance that are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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 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.

Clifton Gundersen LLP

DeWitt, Iowa
October 7, 2005

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005**

Section I: Summary of 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 weaknesses? _____ 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 Circular A-133, Section .510(a)? _____ yes x no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.181</u>	<u>Early Intervention</u>
_____	_____
_____	_____
_____	_____
_____	_____

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

Auditee qualified as low-risk auditee? x yes _____ no

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005**

Section II: Financial Statement Findings:

FINDING NO. 05-1 - Inaccurate Expenditure Report

Criteria/Specific Requirement:

Amounts submitted on grant expenditure reports to the Illinois State Board of Education should be in agreement with the general ledger.

Condition:

On the Title I - Reading First Part B SEA Funds program expenditure report submitted to ISBE, Regional Office of Education #8 included as expenses, \$3,135 that should have been included as outstanding obligations.

Effect:

The expenditure report that was submitted did not accurately reflect the activity of the period or the outstanding obligations.

Cause:

Regional Office of Education #8 included July expenses in the June 30 expenditure report.

Recommendation:

The Regional Office of Education #8 should include only expenses that have already been paid as expenses on the expenditure reports submitted to ISBE. The final expenditure report for the Title I - Reading First Part B SEA Funds grant accurately reflects final expenditures, so no amendment is needed.

Management's Response:

The Regional Office of Education #8 will include only expenses that have already been paid in the expenditure reports submitted to ISBE.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005**

Section II: Financial Statement Findings:

FINDING NO. 05-2 - Controls Over Compliance with Laws and Regulations

Criteria/specific requirement:

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

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

Condition:

The Regional Office is not examining all books, accounts, and vouchers of every school treasurer in his educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school districts in his region. In addition, the Regional Office reviews any exceptions or findings in audit reports for each of the school districts. 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 #8 did not comply with statutory requirements.

Cause:

According to ROE Officials, this mandate is not possible due to the time requirement and knowledge necessary for a thorough review of every school districts' books, accounts, and vouchers. The Regional Superintendent instead relies on audit opinions provided by the independent auditors of each school district.

Recommendation:

The Regional Office of Education #8 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.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 05-2 - Controls Over Compliance with Laws and Regulations (continued)

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 & 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.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005**

Section III: Federal Award Findings:

INSTANCES OF NONCOMPLIANCE:

None

REPORTABLE CONDITIONS:

None

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
June 30, 2005**

FINDING NO. 05-1 - Inaccurate Expenditure Report

Condition:

On the Title I - Reading First Part B SEA Funds program expenditure report submitted to ISBE, Regional Office of Education #8 included as expenses, \$3,135 that should have been included as outstanding obligations.

Plan:

The Regional Office of Education #8 will include only expenses that have already been paid in the expenditure reports submitted to ISBE.

Anticipated Completion Date:

Immediately

Contact Person Responsible for Corrective Action:

Honorable Marie Stiefel, Regional Superintendent

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
June 30, 2005**

FINDING NO. 05-2 - Mandate Compliance

Condition:

The Regional Office is not examining all books, accounts, and vouchers of every school treasurer in his educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school districts in his region. In addition, the Regional Office reviews any exceptions or findings in audit reports for each of the school districts. 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:

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 & 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.

Anticipated Completion Date:

Immediately

Contact Person Responsible for Corrective Action:

Honorable Marie Stiefel, Regional Superintendent

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2005**

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
04-1	Mandate compliance	Resolved

Management's Discussion and Analysis

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$820,345 in fiscal year 2004 to \$1,062,272 in fiscal year 2005, while General Fund expenditures also increased from \$801,156 in fiscal year 2004 to \$1,058,104 in fiscal year 2005. The General Fund is made up of three sub funds: Counties Support, ROE Operations and Special Services. In fiscal year 2004, the Jo Daviess County Board, in the approval process of the Regional Office's budget, decreased its proportional share of the budget by \$3,283. The effect was that both Carroll and Stephenson Counties' share was also reduced by the same proportion. In fiscal year 2005, the budget was restored to the full amount and all the funds were spent.

Special Services is primarily made up of the revenue received in the form of State Aid generated by students attending the Freeport Alternative High School and ALOP program and the payments made by the Freeport School District #145 to the Regional Office to employ the staff for the program. There was an increase in student enrollment and the State Aid Foundation level from fiscal year 2004 to fiscal year 2005 with an increase in both support staff and instructional staff to meet the increased enrollment.

- Education Fund revenues increased from \$2,023,026 in 2004 to \$2,248,602 in 2005. Expenses also increased from \$2,026,983 in 2004 to \$2,250,572 in 2005.

The Education Fund is made up of twelve different grant funds the Regional Office receives through the State Board of Education. Some grants increased while others decreased or were not funded in fiscal year 2005. The reorganization incentive was \$10,750 in fiscal year 2004 while there were no studies in fiscal year 2005. Also, there was no DCEO grant in fiscal year 2005. The following grant programs lost funding in fiscal year 2005:

Regional Safe Schools	\$	2,030
Learning Technology Grant		3,032
Technology Matters		2,500
Title I - Reading First Part B SEA Funds		1,830
Title IV - Safe and Drug Free Schools		1,614

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

2005 FINANCIAL HIGHLIGHTS (CONTINUED)

The Early Childhood Block Grant increased by \$121,103 to cover the cost of providing additional services. The CFC Early Intervention Grant increased by \$85,402 due to increased case load and making performance incentives. The System of Support Grant increased by \$74,259 due to having more schools on the academic watch list and the need to provide services to these schools. Title II increased by \$567 due to the number of students in the program. Expenses were proportionally increased or decreased to meet the funding level. The only program with any noticeable carryover was Early Intervention with \$2,297 and that was because of the constant quarterly adjustments in funding level due to program performance.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 as a whole and present an overall view of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 acts solely as an agent or custodian for the benefit of those outside of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplemental Information further explains and supports the financial statements with information about the Illinois Municipal Retirement Fund Schedule of Funding Progress.

Other Supplemental Information provides detailed information about the major and nonmajor funds.

Figure A-1 summarizes the major features of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's financial statements, including the portion of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's activities they cover and the types of information they contain.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

Figure A-1

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Regional Office of Education #8 (except fiduciary funds)	The activities of Regional Office of Education #8 that are not proprietary or fiduciary, such as grants and statutory funds	Activities Regional Office of Education #8 operates similar to private businesses: workshops	Instances in which Regional Office of Education #8 administers resources on behalf of someone else, such as the distributive fund and Parriott Scholarship Trust
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses and Changes in Fund Net Assets • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

**REPORTING CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES REGIONAL
OFFICE OF EDUCATION #8'S FINANCIAL ACTIVITIES**

Government-wide Financial Statements

The government-wide financial statements report information about Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's net assets and how they have changed. Net assets - the difference between Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's assets and liabilities - are one way to measure Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's financial health or financial position. Over time, increases or decreases in Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's net assets are an indicator of whether financial position is improving or deteriorating. To assess Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's overall health, additional non-financial factors, such as changes in Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's grant funding and the condition of facilities need to be considered.

In the government-wide financial statements, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's activities are divided into two categories:

- *Governmental activities:* Most of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's basic services are included here, such as grants and statutory funds. Federal and state grant proceeds finance most of these activities.
- *Business-type activities:* Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 charges fees to help cover the costs of certain services it provides. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's workshop fund is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's funds, focusing on its most significant or "major" funds - not Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 as a whole. Funds are accounting devices Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 establishes other funds to control and manage money for particular purposes, such as accounting for special revenue funds, or to show that it is properly using certain revenues, such as federal grants.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 has three kinds of funds:

1) *Governmental funds*: Most of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's programs.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's governmental funds include the General Fund and Special Revenue Funds.

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

2) *Proprietary funds*: Services for which Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 currently has one Enterprise Fund, the Workshop Fund.

The required financial statements for proprietary funds include a Statement of Net Assets; a Statement of Revenues, Expenses and Changes in Net Assets; and a Statement of Cash Flows.

3) *Fiduciary funds*: Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 is the trustee for assets that belong to others. These funds include Private-Purpose Trust Funds and Agency Funds.

- Private-Purpose Trust Funds - These are funds that exist to account for the E.H. Parriott Scholarship Trust Principal and Interest that provide scholarships for individual students.
- Agency Funds - These are funds through which Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 administers and accounts for certain federal and/or state grants on behalf of others.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8, assets exceeded liabilities by \$151,267 as of June 30, 2005.

A portion of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's net assets (18%) reflects its investment in capital assets (e.g., furniture and equipment), less any related debt used to acquire those assets that are still outstanding. Although Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table presents a summary of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's net assets for the fiscal year ended June 30, 2005 and 2004.

2005

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Current assets	\$ 204,609	\$ 59,445	\$ 264,054
Capital assets, net of accumulated depreciation	<u>27,210</u>	<u>-</u>	<u>27,210</u>
Total assets	<u>231,819</u>	<u>59,445</u>	<u>291,264</u>
Current liabilities	<u>139,727</u>	<u>270</u>	<u>139,997</u>
Net assets			
Invested in capital assets, net of related debt	27,210	-	27,210
Unrestricted	<u>64,882</u>	<u>59,175</u>	<u>124,057</u>
Total net assets	<u>\$ 92,092</u>	<u>\$ 59,175</u>	<u>\$ 151,267</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

2004

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Current assets	\$ 174,687	\$ 83,358	\$ 258,045
Capital assets, net of accumulated depreciation	33,275	-	33,275
Total assets	<u>207,962</u>	<u>83,358</u>	<u>291,320</u>
Current liabilities	<u>89,813</u>	<u>4,125</u>	<u>93,938</u>
Net assets			
Invested in capital assets, net of related debt	33,275	-	33,275
Unrestricted	<u>84,874</u>	<u>79,233</u>	<u>164,107</u>
Total net assets	<u>\$ 118,149</u>	<u>\$ 79,233</u>	<u>\$ 197,382</u>

The largest portion of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's net assets is unrestricted.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. Unrestricted net assets were \$124,057 at year end.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

Changes in net assets. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's total revenue for the fiscal year ended June 30, 2005 was \$3,441,621. The total cost of all programs and services was \$3,487,736. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2005 and 2004.

2005

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Revenues			
Program revenues			
Charges for services	\$ -	\$ 92,391	\$ 92,391
Operating grants and contributions	2,245,935	-	2,245,935
General revenues			
Local sources	508,175	-	508,175
State sources	279,718	-	279,718
On-behalf payments	308,198	-	308,198
Investment earnings	-	1,343	1,343
Interest income	5,861	-	5,861
	<u>3,347,887</u>	<u>93,734</u>	<u>3,441,621</u>
Total revenues			
Expenses			
Instructional services			
Salaries	855,232	-	855,232
Benefits	190,860	-	190,860
Purchased services	906,752	-	906,752
Supplies and materials	57,969	-	57,969
Capital outlay	5,567	-	5,567
Depreciation	8,065	-	8,065
Payments to other governments	1,040,652	-	1,040,652
Other objectives	649	-	649
Administrative			
On-behalf payments	308,198	-	308,198
Other	-	113,792	113,792
	<u>3,373,944</u>	<u>113,792</u>	<u>3,487,736</u>
Total expenses			
Change in net assets	<u>\$ (26,057)</u>	<u>\$ (20,058)</u>	<u>\$ (46,115)</u>

Operating grants and contributions account for 65% of the total revenue. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's expenses primarily relate to instructional services, which account for 88% of the total expenses.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

<u>2004</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Revenues			
Program revenues			
Charges for services	\$ -	\$ 148,399	\$ 148,399
Operating grants and contributions	2,066,124	-	2,066,124
General revenues			
Local sources	506,876	-	506,876
State sources	132,461	-	132,461
On-behalf payments	206,538	-	206,538
Investment earnings	-	1,326	1,326
Interest income	<u>5,073</u>	<u>-</u>	<u>5,073</u>
Total revenues	<u>2,917,072</u>	<u>149,725</u>	<u>3,066,797</u>
Expenses			
Instructional services			
Salaries	713,873	-	713,873
Benefits	183,796	-	183,796
Purchased services	779,898	-	779,898
Supplies and materials	53,721	-	53,721
Capital outlay	1,236	-	1,236
Depreciation	13,834	-	13,834
Payments to other governments	957,334	-	957,334
Other objectives	714	-	714
Administrative			
On-behalf payments	206,538	-	206,538
Other	<u>-</u>	<u>181,215</u>	<u>181,215</u>
Total expenses	<u>2,910,944</u>	<u>181,215</u>	<u>3,092,159</u>
Change in net assets	<u>\$ 6,128</u>	<u>\$ (31,490)</u>	<u>\$ (25,362)</u>

Operating grants and contributions account for 67% of the total revenue. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's expenses primarily relate to instructional services, which account for 87% of the total expenses.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

Governmental Activities

Revenues for governmental activities were \$3,347,887 and \$2,917,072 and expenses were \$3,373,944 and \$2,910,944 for 2005 and 2004, respectively.

The following tables present the cost of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's functional governmental activities. The tables also show each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's residents by each of these functions.

<u>2005</u>	<u>Total Expenses</u>	<u>Net (Expenses) Revenues</u>
Instructional services		
Salaries	\$ 855,232	\$ (294,622)
Benefits	190,860	(17,948)
Purchased services	906,752	(187,222)
Supplies and materials	57,969	(29,561)
Capital outlay	5,567	(5,567)
Depreciation	8,065	(8,065)
Payments to other governments	1,040,652	(276,177)
Other objectives	649	(649)
Administrative		
On-behalf payments	<u>308,198</u>	<u>(308,198)</u>
Total expenses	<u>\$ 3,373,944</u>	<u>\$ (1,128,009)</u>
<u>2004</u>	<u>Total Expenses</u>	<u>Net (Expenses) Revenues</u>
Instructional services		
Salaries	\$ 713,873	\$ (248,958)
Benefits	183,796	(41,347)
Purchased services	779,898	(137,469)
Supplies and materials	53,721	(21,845)
Capital outlay	1,236	-
Depreciation	13,834	(13,834)
Payments to other governments	957,334	(174,115)
Other objectives	714	(714)
Administrative		
On-behalf payments	<u>206,538</u>	<u>(206,538)</u>
Total expenses	<u>\$ 2,910,944</u>	<u>\$ (844,820)</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

- The cost of all governmental activities was \$3,373,944 and \$2,910,944 for 2005 and 2004, respectively.
- Federal and state governments subsidized certain governmental activities with grants and contributions of \$2,245,935 and \$2,066,124 for 2005 and 2004, respectively.

Net cost of governmental activities (\$1,128,009), was financed by general revenues, which are made up of primarily local and state sources (\$787,893) and on-behalf payments (\$308,198). Interest income made up the difference (\$5,861) for 2005.

Net cost of governmental activities (\$844,820), was financed by general revenues, which are made up of primarily local and state sources (\$639,337) and on-behalf payments (\$206,538). Interest income made up the difference (\$5,073) for 2004.

Business-Type Activities

Revenues for business-type activities were \$93,734 and \$149,725 and expenses were \$113,792 and \$181,215 for 2005 and 2004, respectively. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's business-type activities include the Workshop Fund. Revenues of these activities were comprised of charges for service, local reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 as a whole is reflected in its governmental funds, as well. As Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 completed the year, its governmental funds reported a combined fund balance of \$64,882, slightly above last year's ending fund balances of \$58,277.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

Governmental Fund Highlights

The General Fund fund balance increased from \$7,333 in 2004 to \$11,501 in 2005. The increase in fund balance was small in comparison to expenditures of \$1,058,104. The Special Services sub fund was the source of increase due to the fact that there is a small turn around time between when the Regional Office receives the June State Aid payment and payments are either received or made to support the Freeport Alternative High School. Funds are needed to help cover July and early August costs when no State Aid payments are received. The fund balance increase was relatively small in proportion to the changes in revenues and expenditures.

The Education Fund fund balance decreased slightly from \$4,296 in 2004 to \$2,326 in 2005. The Education Fund is primarily made up of 12 or more grants the Regional Office receives and this can vary greatly from year to year as some programs are discontinued while others see a funding increase. Over the various programs that make up the fund, total expenditures exceeded revenues by \$1,970 thus reducing the fiscal year 2004 balance from \$4,296 to \$2,326 in fiscal year 2005. In consideration that the total Education Fund revenue is \$2,248,602, \$1,970 is a very small change. In the past couple of years, there has been a trend to freeze or reduce funding for programs that have been traditionally Regional Office grants.

Proprietary Fund Highlights

Workshop Fund net assets decreased from \$79,233 at June 30, 2004 to \$59,175 at June 30, 2005, representing a decrease of approximately 25%. The Workshop Fund's assets are primarily made up of funds the Regional Office receives and expends in providing for-credit college course work and workshops for professional development.

The Workshop Fund revenues have decreased from fiscal year 2004 to fiscal year 2005 due to a drop in enrollment in summer courses due to teachers having their professional development plans completed. Tuition scholarships were also provided for some required by low enrollment summer courses to encourage teachers to expand their knowledge.

Part of the revenue received is used to offset the salary and benefits of the Regional Office School Improvement consultants' time to develop and monitor the various summer courses.

BUDGETARY HIGHLIGHTS

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 is not required to create a budget for overall operations. They are required to prepare budgets for most of the grants they receive. Over the course of the year, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 amended several of the grant budgets within the Education Fund.

Budgets for grant programs are adjusted because of an increase or decrease in funding due to changes at the State level or to better allocate funds received to meet the needs of the program.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

BUDGETARY HIGHLIGHTS (CONTINUED)

For the Regional Safe Schools Program, there was a reduction in State funding from the initial projected level when the grant was submitted in the spring of 2004. Confirmation of actual grant allocation was not received until August of 2004 and adjustments had to be made in the budget.

The Truants Alternative/Optional Education budget was amended to allow for an increase in personnel costs primarily due to a substantial increase in medical insurance for office employees. New medical insurance rates are not known until late August of each year.

The Early Childhood Preschool Grant requires the Regional Office to write for the same amount as the prior year and then submit another application for program expansion. It is not until the State Board knows the actual proportion and has reviewed all the grants that the actual funding is determined and final budgets can be set.

The Early Intervention Infants/Toddlers Grant from the Illinois Department of Human Services funding level is adjusted quarterly based upon the Child and Family Connections' active case load and meeting certain performance standards. A change in either factor could result in more or less funding and force the Regional Office to make appropriate adjustments in budgeting expenditures.

CAPITAL ASSETS

As of June 30, 2005, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 had invested \$161,190 in capital assets, including furniture and equipment. This amount was \$2,000 higher when compared to 2004. Total depreciation expense for the year was \$8,065.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2005.

	Governmental Activities	Business-Type Activities	Total
Furniture and equipment	\$ 27,210	\$ -	\$ 27,210

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2004.

	Governmental Activities	Business-Type Activities	Total
Furniture and equipment	\$ 33,275	\$ -	\$ 33,275

Additional information on Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's capital assets can be found in Note 6 on page 60 of this report.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

ECONOMIC FACTORS BEARING ON CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES REGIONAL OFFICE OF EDUCATION #8'S FUTURE

At the time these financial statements were prepared and audited, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 was aware of several existing circumstances that could significantly affect its financial health in the future:

The economic factors at the federal and state level have not improved much in the past three years in terms of additional funding flowing to the Regional Office for programs. Early Childhood for Children at Risk, Regional Safe Schools, Truants Alternative/Optional Education and Early Intervention for Infants and Toddlers could see a funding increase based upon need or total dollars being placed in the program. System of Support will be down for fiscal year 2006 due to Savanna High School being taken off the Academic Watch List.

The federal government is running increased deficits, so education programs may be an area that will see reductions. Most of the increase in education funding in the fiscal year 2006 budget comes from under funding the various State pension systems. The State Board, due to audit considerations, is making it more difficult to provide cooperative programs throughout the Regional Office like Title II and Learning Technology Centers.

Neither Regional Superintendents nor Assistant Regional Superintendents have received the statutorily prescribed increase in salary the past three years due to the State's economic situation.

CONTACTING CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES REGIONAL OFFICE OF EDUCATION #8'S FINANCIAL MANAGEMENT

This financial report is designed to provide Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's citizens, taxpayers, customers, and creditors with a general overview of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's finances and to demonstrate Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8, 500 North Rush Street, Stockton, Illinois 61085.

BASIC FINANCIAL STATEMENTS

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF NET ASSETS
June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 83,731	\$ 59,445	\$ 143,176
Due from other governments	120,878	-	120,878
Total current assets	204,609	59,445	264,054
Non-current assets:			
Capital assets, being depreciated, net	27,210	-	27,210
Total assets	231,819	59,445	291,264
LIABILITIES			
Current liabilities:			
Accounts payable	30,877	270	31,147
Accrued payroll and employee benefits	84,759	-	84,759
Deferred revenue	24,091	-	24,091
Total current liabilities	139,727	270	139,997
NET ASSETS			
Investment in capital assets, net of related debt	27,210	-	27,210
Unrestricted	64,882	59,175	124,057
Total net assets	\$ 92,092	\$ 59,175	\$ 151,267

These financial statements should be read only in connection with the accompanying independent auditor's report, summary of significant accounting policies, and notes to financial statements.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

EXHIBIT B

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government:						
Instructional activities:						
Salaries	\$ 855,232	-	\$ 560,610	\$ (294,622)	-	\$ (294,622)
Employee benefits	190,860	-	172,912	(17,948)	-	(17,948)
Purchased services	906,752	-	719,530	(187,222)	-	(187,222)
Supplies and materials	57,969	-	28,408	(29,561)	-	(29,561)
Capital outlay	5,567	-	-	(5,567)	-	(5,567)
Depreciation	8,065	-	-	(8,065)	-	(8,065)
Payments to other governments	1,040,652	-	764,475	(276,177)	-	(276,177)
Other objects	649	-	-	(649)	-	(649)
Administrative:						
On-behalf payments	308,198	-	-	(308,198)	-	(308,198)
Total governmental activities	3,373,944	-	2,245,935	(1,128,009)	-	(1,128,009)
Business-type activities:						
Other	113,792	92,391	-	-	(21,401)	(21,401)
Total primary government	\$ 3,487,736	\$ 92,391	\$ 2,245,935	(1,128,009)	(21,401)	(1,149,410)
General revenues:						
Local sources				508,175	-	508,175
State sources				279,718	-	279,718
On-behalf payments				308,198	-	308,198
Investment earnings				-	1,343	1,343
Interest income				5,861	-	5,861
Total general revenue				1,101,952	1,343	1,103,295
CHANGES IN NET ASSETS				(26,057)	(20,058)	(46,115)
NET ASSETS, BEGINNING OF YEAR				118,149	79,233	197,382
NET ASSETS, END OF YEAR	\$ 92,092	\$ 59,175		\$ 92,092	\$ 59,175	\$ 151,267

These financial statements should be read only in connection with the accompanying independent auditor's report, summary of significant accounting policies, and notes to financial statements.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

EXHIBIT C

	Special Revenue			
	General Fund	Education Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,675	\$ 30,001	\$ 51,055	\$ 83,731
Due from other governments	93,585	27,293	-	120,878
TOTAL ASSETS	\$ 96,260	\$ 57,294	\$ 51,055	\$ 204,609
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 30,877	\$ -	\$ 30,877
Accrued expenses	84,759	-	-	84,759
Deferred revenue	-	24,091	-	24,091
Total liabilities	84,759	54,968	-	139,727
FUND BALANCES				
Unreserved, reported in:				
General fund	11,501	-	-	11,501
Special revenue funds	-	2,326	51,055	53,381
Total fund balances	11,501	2,326	51,055	64,882
TOTAL LIABILITIES AND FUND BALANCES	\$ 96,260	\$ 57,294	\$ 51,055	\$ 204,609

These financial statements should be read only in connection with the accompanying independent auditor's report, summary of significant accounting policies, and notes to financial statements.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
 REGIONAL OFFICE OF EDUCATION #8
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 June 30, 2005**

Total fund balances of governmental funds (page 36)	\$	64,882
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		<u>27,210</u>
Net assets of governmental activities (page 34)	\$	<u>92,092</u>

These financial statements should be read only in connection with the
 accompanying independent auditor's report, summary of significant
 accounting policies, and notes to financial statements.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

EXHIBIT E

	<u>Special Revenue</u>			Total Governmental Funds
	General Fund	Education Fund	Other Nonmajor Funds	
REVENUES:				
Local sources				
Counties support	\$ 130,529	\$ -	\$ -	\$ 130,529
Interest	5,187	674	-	5,861
Service revenue	276,597	-	-	276,597
Miscellaneous	-	170,936	59,890	230,826
Total local sources	<u>412,313</u>	<u>171,610</u>	<u>59,890</u>	<u>643,813</u>
State sources	313,268	1,090,448	3,720	1,407,436
Federal sources	28,493	986,544	-	1,015,037
On-behalf payments	308,198	-	-	308,198
Total revenues	<u>1,062,272</u>	<u>2,248,602</u>	<u>63,610</u>	<u>3,374,484</u>
EXPENDITURES:				
Current:				
Education:				
Salaries	325,173	523,578	6,481	855,232
Employee benefits	34,129	155,920	811	190,860
Purchased services	83,206	777,414	46,132	906,752
Supplies and materials	23,833	29,006	5,130	57,969
Capital outlay	7,567	-	-	7,567
Payments to other governments	275,998	764,654	-	1,040,652
Other objects	-	-	649	649
On-behalf payments	308,198	-	-	308,198
Total expenditures	<u>1,058,104</u>	<u>2,250,572</u>	<u>59,203</u>	<u>3,367,879</u>
NET CHANGE IN FUND BALANCES	4,168	(1,970)	4,407	6,605
FUND BALANCE, BEGINNING OF YEAR	<u>7,333</u>	<u>4,296</u>	<u>46,648</u>	<u>58,277</u>
FUND BALANCE, END OF YEAR	<u>\$ 11,501</u>	<u>\$ 2,326</u>	<u>\$ 51,055</u>	<u>\$ 64,882</u>

These financial statements should be read only in connection with the accompanying independent auditor's report, summary of significant accounting policies, and notes to financial statements.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005**

Net change in fund balances (page 38)		\$	6,605
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay			2,000
Depreciation expense		(8,065)	(6,065)
Revenues that were previously recognized in the Statement of Activities were recognized in the funds during the current year.			(26,597)
Change in net assets of governmental activities (page 35)		\$	(26,057)

These financial statements should be read only in connection with the
accompanying independent auditor's report, summary of significant
accounting policies, and notes to financial statements.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
 REGIONAL OFFICE OF EDUCATION #8
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2005**

	Business-Type Activities - Enterprise Fund Workshops
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 59,445
LIABILITIES	
Current liabilities:	
Accounts payable	270
NET ASSETS	
Unrestricted	\$ 59,175

These financial statements should be read only in connection with the accompanying independent auditor's report, summary of significant accounting policies, and notes to financial statements.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	Business-Type Activities - Enterprise Fund Workshops
Operating revenues:	
Charges for services	\$ 92,391
Operating expenses:	
Current:	
Education:	
Salaries	17,499
Employee benefits	2,727
Purchased services	91,712
Supplies and materials	1,854
Total operating expenses	113,792
Operating loss	(21,401)
Nonoperating income:	
Investment income	1,343
Loss before contributions, gains/losses, and transfers	(20,058)
Total net assets - beginning	79,233
Total net assets - ending	\$ 59,175

These financial statements should be read only in connection with the accompanying independent auditor's report, summary of significant accounting policies, and notes to financial statements.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2005**

	<u>Business-Type Activities - Enterprise Fund Workshops</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from workshops	\$ 92,391
Payments to suppliers and providers of goods and services	(97,421)
Payments to employees	(20,226)
Net cash used in operating activities	<u>(25,256)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	<u>1,343</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(23,913)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>83,358</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 59,445</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (21,401)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Change in assets and liabilities:	
Decrease in accounts payable	<u>(3,855)</u>
Net cash used in operating activities	<u><u>\$ (25,256)</u></u>

These financial statements should be read only in connection with the accompanying independent auditor's report, summary of significant accounting policies, and notes to financial statements.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2005

	<u>Private-Purpose Trusts</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 36,847	\$ 4,904
Investments	765,627	-
Rent receivable	10,772	-
Interest receivable	1,326	-
Due from other funds	17,401	-
Property and equipment	767,752	-
Total assets	<u>1,599,725</u>	<u>4,904</u>
LIABILITIES		
Accounts payable	5,186	-
Due to other funds	17,401	-
Deposits	1,550	-
Due to other governmental units	-	4,904
Deferred revenue	8,495	-
Total liabilities	<u>32,632</u>	<u>4,904</u>
NET ASSETS		
Held in trust for other purposes	<u>\$ 1,567,093</u>	<u>\$ -</u>

These financial statements should be read only in connection with the accompanying independent auditor's report, summary of significant accounting policies, and notes to financial statements.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2005**

	<u>Private-Purpose Trusts</u>
ADDITIONS:	
Local sources	
Rent	\$ 93,609
Interest and dividends	68,227
Total additions	<u>161,836</u>
DEDUCTIONS:	
Purchased services	36,435
Scholarships	77,470
Depreciation	9,244
Total deductions	<u>123,149</u>
EXCESS OF ADDITIONS OVER DEDUCTIONS	<u>38,687</u>
OTHER FINANCING SOURCES (USES):	
Transfers in	111,721
Transfers out	(111,721)
Total other financing sources (uses)	<u>-</u>
CHANGES IN NET ASSETS	38,687
NET ASSETS, BEGINNING OF YEAR	<u>1,528,406</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,567,093</u></u>

These financial statements should be read only in connection with the accompanying independent auditor's report, summary of significant accounting policies, and notes to financial statements.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2005**

REPORTING ENTITY

The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 is an entity that is a result of an Educational Service Region becoming a Regional Office of Education as of August 7, 1995. The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 operates under the School Code (105 ILCS 5/3 and 5/3A). The Regional Office of Education #8 encompasses Carroll, Jo Daviess, and Stephenson Counties in Illinois. A Regional Superintendent of Schools serves as chief administrative officer and is elected pursuant to 105 ILCS 5/3 and 5/3A of the School Code. The principal financial duty of the Regional Superintendent is to receive and distribute monies due to school districts from general state aid, state categorical grants, and various other sources.

The Regional Office of Education #8's reporting entity includes all related organizations for which the Regional Office of Education #8 exercises oversight responsibility in accordance with Statement No. 14 of the Governmental Accounting Standards Board.

The Superintendent has developed criteria to determine whether outside agencies with activities which benefit the citizens served by the Regional Office of Education #8 should be included within its financial reporting entity. The criteria includes, but is not limited to whether the Superintendent (1) selects the governing authority or management, (2) has the ability to significantly influence operations, or (3) has accountability for fiscal matters (i.e., financial budget approval, management of assets, etc.). The Superintendent has determined that no outside agency meets the above criteria and, therefore, no agency has been included as a component unit in the financial statements. In addition, the Superintendent is not aware of any entity which would exercise such oversight which would result in the Regional Office of Education #8 being considered a component unit of the entity.

The Regional Office of Education #8 is the Administrative Agent for three joint agreements - the Jo Daviess-Carroll Area Vocational Center, the Eagle Ridge Vocational Delivery System, and the Carroll-Jo Daviess-Stephenson Educational Intergovernmental Agreement. These joint agreements are not considered part of the Regional Office of Education #8's GAAP reporting entity and are not included in these financial statements.

The Jo Daviess-Carroll Area Vocational Center provides advanced vocational training to high school juniors and seniors and adults seeking retraining.

The Eagle Ridge Vocational Delivery System includes all the Jo Daviess County school districts and the Savanna and Mount Carroll school districts in Carroll County. It allocates state vocational funding among member districts and updates vocational programs into sequential programs leading to marketable skills. The Delivery System reimburses the Regional Office of Education #8 for certain administrative costs.

The Carroll-Jo Daviess-Stephenson Educational Intergovernmental Agreement allows school districts in each county to participate in various joint programs such as criminal background investigations on substitute teachers and centralized scoring of standardized tests. The Agreement is also used as an umbrella organization for grants and cooperative bidding. The Regional Office of Education #8 makes payments to the Agreement.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2005**

BASIS OF PRESENTATION

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the activities of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by intergovernmental and local revenues.

The Statement of Net Assets presents Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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 clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column within the governmental funds in the financial section of the basic financial statements and are detailed in the supplemental information.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 reports the following major governmental funds:

The General Fund is the operating fund of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The following funds are the general funds of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2005

Counties Support - used to account for monies received for, and payment of, expenditures in connection with general administration activities. The source of these monies is from the three county boards for which the Regional Office of Education #8 serves.

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

Special Services - used to account for various miscellaneous expenditures as approved by the Regional Office of Education #8. Revenues are primarily derived from interest earnings or invested cash and reimbursements from other entities for administration and accounting for miscellaneous grants and programs.

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

Title V - Innovative Programs Formula - used to account for grant monies received for, and payment of, expenses of the Title V - Innovative Programs Formula.

Truants Alternative/Optional Ed. - used to account for grant monies received for, and payment of, expenses of the Truants Alternative Program.

Early Childhood Preschool at Risk - used to account for grant monies received for, and payment of, expenses for developing and operating programs for parents of young children.

Regional Safe Schools - used to account for grant monies received for, and payment of, expenses for facility renovation and other areas of school improvement.

Learning Technology Center - used to account for grant monies received for, and payment of, the expenses associated with the Learning Technology Center.

Technology Matters - used to account for monies received for, and payment of, expenses in association with the Technology Matters contract.

Title I - Reading First Part B SEA Funds - used to account for grant monies received for, and payment of, expenses in the administration of the Reading First Academy Statewide Delivery Grant.

Title IV - Safe and Drug Free Schools Formula - used to account for cash receipts from the State for federal assistance programs and distributed to treasurers of school districts and other agencies for drug education.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2005**

Early Intervention Infants/Toddlers - used to account for grant monies received for and payment of, expenses for an early intervention program for special needs children. Program is also called Community Access Point/System Point of Entry (CAP/SPOE).

Title II Teacher Quality - to account for grant monies received for, and payment of, expenditures incurred in providing workshops to improve teacher quality.

System of Support - used to account for monies received for, and expenditures incurred associated with the system of support program.

Standard Aligned Classroom - used to account for grant monies received for, and expenditures incurred associated with summer classroom activities.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 reports the following nonmajor governmental funds:

General Educational Development - used to account for resources accumulated for, and payment of, expenses of administering the General Educational Development test. Statute requires excess funds accumulated for periods exceeding three years to be transferred into the Institute Fund.

Bus Driver - used to account for resources accumulated for, and payment of, expenses of issuing school bus driver permits and administering school bus driver training.

Supervisory - used to account for resources accumulated for, and payment of, expenses of providing supervisory service in the Regional Office of Education #8.

Institute - used to account for resources accumulated for, and payment of, expenses of administering teachers' institutes, workshops, and meetings.

Annexation - used to account for resources accumulated for, and payment of, expenses for annexation.

Medical Reimbursement - collection of payroll deduction from participating employees. The Regional Superintendent is responsible for reimbursing the cost of employee's medical expenses.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2005**

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 reports the following major proprietary fund:

Workshop - used to account for workshops associated with various grant programs.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 also reports fiduciary funds which focus on net assets and changes in net assets. They include the following:

The Private-Purpose Trust Fund is used to account for assets held by the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 under trust agreements which require income earned to be used to benefit individuals through scholarship awards. The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 private-purpose trust funds include the following:

E.H. Parriott Scholarship Trust Principal - used to maintain the trust principal. Income is used to pay for scholarships.

E.H. Parriott Scholarship Trust Income - used to account for day-to-day operations of farm and to pay out scholarships from investment and farm income.

The Agency Fund is used to account for assets held by the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations. The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 agency funds include the following:

Distributive - State and Federal funds are distributed by the Illinois State Board of Education to the Regional Office of Education #8. The Regional Office of Education #8 is responsible for forwarding these monies to local school districts and others in Carroll, Jo Daviess, and Stephenson Counties.

Distributive Interest - used to account for interest earned on flow-through funds to be distributed to local school districts received from the Illinois State Board of Education. The Superintendent uses the interest money to develop inservice activities and other innovative programs, with the consent of all affected school boards and other entities.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2005**

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 records on-behalf payments made by the State to the Teachers' Retirement System as revenue and expenditures.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Capital asset acquisitions are reported as expenditures in governmental funds.

Under the terms of grant agreements, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2005**

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 maintains its financial records on the cash basis. The financial statements of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 are prepared by making memorandum adjusting entries to the cash basis financial records.

ASSETS, LIABILITIES AND FUND EQUITY

The following accounting policies are followed in preparing the balance sheet:

Cash and investments - The cash and investment balances of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 are valued at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Due from other governments - Due from other governments represents amounts due from the Illinois State Board of Education.

Capital assets - Capital assets, which include property, furniture and equipment, are reported in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 as assets with an initial, individual cost in excess of \$500 and estimated useful lives in excess of two years. Capital assets are depreciated using the straight line method over 5-10 years.

Property, plant and equipment in the private-purpose trust fund are recorded at cost.

Property, plant and equipment are depreciated in the private-purpose trust fund using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20

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

Restricted net assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2005**

BUDGETS AND BUDGETARY ACCOUNTING

The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 prepares a budget for each of its grants and for the support it receives from its three counties. Some of these budgets cover different periods than the Regional Office of Education #8's fiscal year.

The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's accounting records must be sophisticated enough to both (1) assure and demonstrate compliance with each budget during the period it covers and (2) also permit the reporting of the financial position and results of operations of each fund and fund type in GAAP financial statements covering its fiscal year.

Budgetary comparisons and budgetary compliance are discussed in Note 5 - Budgetary comparisons and budgetary compliance.

This information is an integral part of the accompanying financial statements.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

NOTE 1 - DEPOSITS AND INVESTMENTS

The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's cash and cash equivalents are considered to be demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The deposit and investment of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 monies is governed by the provisions of the Illinois Compiled Statutes.

Deposits

At June 30, 2005, the carrying amount of the Regional Office of Education #8's deposits were \$184,927 (net of cash overdrafts) and the bank balance was \$552,099.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's deposits may not be returned. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 does not have a deposit policy for custodial credit risk. As of June 30, 2005, all of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's deposits were either covered by FDIC insurance or covered by collateral held by the financial institution in Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's name.

A reconciliation of cash as shown on the Statement of Net Assets for the primary government is as follows:

	<u>Carrying Amount</u>
Cash - Primary Government	\$ 143,176
Cash - Private-Purpose Trusts	36,847
Cash - Agency	<u>4,904</u>
Total	<u>\$ 184,927</u>

Investments - Private-Purpose Trusts

Investments of the E.H. Parriott Scholarship Trust Funds are held in a trust account. These investments are also collateralized by securities held by an agent of the bank in the bank's name.

Interest Rate Risk - Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk and Concentration of Credit Risk - Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 does not have a formal investment policy that would limit its investment choices or would limit the amount Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 may invest in one issuer.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

NOTE 1 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2005, investments included the following:

	<u>Morningstar Rating</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Principal fund			
Cash equivalents			
Mutual funds			
First American Prime Obligation Fund Class Y	Unrated	\$ 8,352	\$ 8,352
Fixed income investments			
Mutual funds			
First American High Income Bond Fund Class Y	★★★	42,893	42,713
First American Intermediate Term Bond Fund Class Y	★★★	128,678	126,550
First American Short Term Bond Fund Class Y	★★★	<u>238,973</u>	<u>235,674</u>
Total fixed income investments		<u>410,544</u>	<u>404,937</u>
Equity investments			
Mutual funds			
American Century Capital Value Class Inv	★★★★★	30,638	33,588
Fidelity Advance Diversified International Class A	★★★★★	49,020	55,019
First American Equity Index Fund Class Y	★★★	61,275	65,950
First American Mid Cap Index Fund Class Y	★★★	6,128	6,918
First American Real Estate Securities Fund Class Y	★★★★★	6,128	6,663
First American Small Cap Value Fund Class Y	★★★	6,128	6,030
T Rowe Price Growth Stock Class Adv	★★★★★	30,638	33,672
T Rowe Price Small Cap Value Fund	★★★★★	<u>6,128</u>	<u>6,732</u>
Total equity investments		<u>196,083</u>	<u>214,572</u>
Total principal fund		<u>614,979</u>	<u>627,861</u>
Income fund			
Cash equivalents			
Mutual funds			
First American Prime Obligation Fund Class Y	Unrated	<u>13,493</u>	<u>13,493</u>
Fixed income investments			
Mutual funds			
First American Core Bond Fund Class Y	★★★	108,280	107,899
First American Inflation Pro Sec Class Y	Unrated	<u>28,875</u>	<u>28,988</u>
Total fixed income investments		<u>137,155</u>	<u>136,887</u>
Total income fund		<u>150,648</u>	<u>150,380</u>
Total investments		<u>\$ 765,627</u>	<u>\$ 778,241</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

NOTE 2 - ON-BEHALF PAYMENTS

Salaries of the Regional Superintendent and his first assistant are paid by the State of Illinois. All other salaries with the exception of employees paid by the Special Services Fund, are paid by Carroll, Jo Daviess, and Stephenson Counties. Pension plan contributions associated with these salaries are also paid respectively, by the State of Illinois and Carroll, Jo Daviess, and Stephenson Counties. Employees of the Special Services Fund and the applicable pension plan contributions are paid by the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8.

A breakdown of the on-behalf payments are as follows:

Regional Superintendent - salary	\$ 84,737
Regional Superintendent - benefits (includes state paid insurance)	8,243
Assistant Regional Superintendent - salary	75,397
Assistant Regional Superintendent - benefits (includes state paid insurance)	4,895
County on-behalf payments	100,295
TRS on-behalf payments	<u>34,631</u>
Total on-behalf payments	<u>\$ 308,198</u>

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

NOTE 3 - EMPLOYEE BENEFIT PLAN

The Regional Office of Education #8's employees are covered under the Illinois Municipal Retirement Fund. Contributions to the Fund are made by Carroll, Jo Daviess, and Stephenson Counties and the Regional Office of Education #8 through grant monies on behalf of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education staff employees and grant coordinators.

Carroll, Jo Daviess, and Stephenson Counties are participating members of the Illinois Municipal Retirement Fund whose coverage includes all Regional Office of Education #8 employees who:

- a. Occupy a job normally requiring 1,000 hours or more per year;
- b. are paid on a regular payroll from County or Regional Office of Education #8 funds;
- c. were under age sixty when first entering employment; and
- d. are not covered by another State created retirement system for the same service.

Employees not qualifying above are considered as "nonparticipating employees" and are covered under Social Security.

The Superintendent of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education is paid by the State of Illinois. Certain staff employees of the Regional Office of Education #8's office are employed and paid by Carroll, Jo Daviess, or Stephenson Counties (other support staff and grant coordinators are paid by the Region through grant monies). Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education has no separate employee benefit plan.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

NOTE 3 - EMPLOYEE BENEFIT PLAN (CONTINUED)

Illinois Municipal Retirement Fund

The Regional Office of Education #8'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 Regional Office of Education #8 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2004 was 9.63 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 5 years.

For December 31, 2004, the Regional Office of Education #8's annual pension cost of \$84,985 was equal to the Regional Office of Education #8's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2004 actuarial valuation were based on the 1999-2001 experience study.

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	\$ 84,985	100%	\$ -
12/31/03	64,931	100%	-
12/31/02	62,556	100%	-
12/31/01	55,874	100%	-
12/31/00	42,689	100%	-
12/31/99	76,971	100%	-
12/31/98	66,632	100%	-
12/31/97	47,137	100%	-
12/31/96	34,789	100%	-
12/31/95	10,335	100%	-

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

NOTE 4 - RETIREMENT PLANS

Teachers' Retirement System of the State of Illinois

The Regional Office of Education #8 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. Active TRS members are required to contribute 9 percent of their creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. In addition, virtually all members pay one-half of one percent contribution to the Teachers' Health Insurance Security Fund, a separate fund in the State Treasury that is not a part of this retirement plan.

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

- **On-behalf Contributions.** The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #8. For the year ended June 30, 2005, the State of Illinois contributions were based on 9 percent of creditable earnings, and the Regional Office of Education #8 recognized revenue and expenditures of \$34,631 in pension contributions that the State of Illinois paid directly to TRS.

The Regional Office of Education #8 makes four other types of employer contributions directly to TRS.

- **2.2 Formula Contributions.** For the year ended June 30, 2005, TRS-covered employers were required to contribute 5.8 percent of creditable earnings as the employer share of the 2.2 formula change. The contribution for the year ended June 30, 2005 was \$2,232.
- **Federal and Trust Fund Contributions.** When TRS members are paid from federal and trust funds administered by the Regional Office of Education #8, there is a statutory requirement for the Regional Office of Education #8 to pay an additional contribution that is currently 10.5 percent of salaries paid from those funds. For the year ended June 30, 2005, there were no salaries that qualified for this plan.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

NOTE 4 - RETIREMENT PLANS (CONTINUED)

- **Early Retirement Incentive.** The Regional Office of Education #8 is required to make employer contributions to TRS for members who retired under the 1993 - 1995 Early Retirement Incentive. For each year of service purchased, members received an equal number of years of age. Employers contributed 20 percent of the highest salary used in the calculation of final average salary for each year purchased; member contributions were also required. Employer contributions could be made in a lump sum, over five years in quarterly installments, or under a different schedule approved by the TRS Board of Trustees. For the year ended June 30, 2005, there were no salaries that qualified for this plan.
- **Early Retirement Option.** The Regional Office of Education #8 is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option. The payments vary depending on the age and salary of the member. No member or employer contributions are required if the member has 34 years of service. The maximum employer payment of 100 percent of the member's highest salary used in the calculation of final average salary is required if the member is 55 years old. For the year ended June 30, 2005, there were no salaries that qualified for this plan.

Changes

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

- **Active Member Contributions.** The active member contribution rate will increase from the current 9.0 percent of creditable earnings to 9.4 percent beginning July 1, 2005. The increase is to help cover the cost of the new ERO program and will be refunded if the member does not retire under ERO.
- **State/Federal Contributions.** Under a policy adopted by the Board of Trustees before Public Act 94-0004 was enacted, the employer contribution rate for employees paid from federal funds will be the same as the rate paid by the State. Under Public Act 94-0004, the State contribution rate in fiscal year 2006 was reduced to 7.06 percent of pay. Therefore, the employer contribution rate for employees paid from federal funds in fiscal year 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.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 4 - RETIREMENT PLANS (CONTINUED)

- *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.

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 www.trs.state.il.us.

NOTE 5 - BUDGETARY COMPARISONS AND BUDGETARY COMPLIANCE

To demonstrate compliance with applicable budgetary requirements, GAAP financial statements generally include comparisons of actual results of operations to budgeted amounts for individual funds for which a budget is adopted for the period covered by the budget. Regional Office of Education #8 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. Budgets for the Regional Office of Education #8's state and federal grant funds cover various periods. Budgetary comparisons for those periods are presented on page 68 for the ROE Operations Fund and pages 73-76 for the following grants: Title V - Innovative Programs Formula, Truants Alternative/Optional Ed., Early Childhood Block Grant - Prevention Initiative, Early Childhood Block Grant - Prekindergarten, Early Childhood Block Grant - Birth to Age 3, Regional Safe Schools, Learning Technology Center, Technology Matters, Title I - Reading First Part B SEA Funds, Title IV - Safe and Drug Free Schools Formula, and Title II Teacher Quality.

To qualify for reimbursement, grant expenditures must be obligated by the end of the applicable budget period and liquidated within 90 days thereafter.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

**NOTE 5 - BUDGETARY COMPARISONS AND BUDGETARY COMPLIANCE
(CONTINUED)**

To qualify for reimbursement, grant expenditures must also not exceed approved budgeted amounts for particular function (Improvement of Instruction Services, General Administration, Fiscal Services, etc.) and object (Salaries, Employee Benefits, Purchase Services, etc.) account code combinations by the greater of \$1,000 or 20% of the approved budgeted amount. Amendments to shift amounts from one function/object account code combination to another must be submitted to the ISBE for approval by 30 days prior to the end of the applicable budget period.

All grant expenditure amounts for which the Regional Office of Education #8 claimed reimbursement, and for which grant revenue is reported in these financial statements, were obligated and liquidated on a timely basis. All such expenditure amounts were within the function/object account classification limits of final approved amended budgets.

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005 is as follows:

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Governmental activities:				
Furniture and equipment	\$ 159,190	\$ 2,000	\$ -	\$ 161,190
Less accumulated depreciation	(125,915)	(8,065)	-	(133,980)
Total capital assets, net	<u>\$ 33,275</u>	<u>\$ (6,065)</u>	<u>\$ -</u>	<u>\$ 27,210</u>

Depreciation expense was charged as follows:

Governmental activities:			
Education:			
Depreciation expense			<u>\$ 8,065</u>

Fiduciary Fund:

Private-Purpose Trust Fund:

E.H. Parriott Scholarship Trust Principal Fund:

Farmland and land improvements	\$ 600,000	\$ -	\$ -	\$ 600,000
Farm building improvements	281,192	-	-	281,192
	<u>881,192</u>	<u>-</u>	<u>-</u>	<u>881,192</u>
Less accumulated depreciation	(104,196)	(9,244)	-	(113,440)
	<u>\$ 776,996</u>	<u>\$ (9,244)</u>	<u>\$ -</u>	<u>\$ 767,752</u>

Depreciation expense was charged as follows:

Fiduciary Fund:			
Private-Purpose Trust Fund:			
E.H. Parriott Scholarship Trust Principal Fund depreciation expense			<u>\$ 9,244</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2005 were:

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
Private-Purpose Trust Fund		
Expendable trust fund		
E.H. Parriott Scholarship Trust Income	\$ -	\$ 17,401
Nonexpendable trust fund		
E.H. Parriott Scholarship Trust Principal	<u>17,401</u>	<u>-</u>
	<u>\$ 17,401</u>	<u>\$ 17,401</u>

NOTE 8 - TRANSFERS

Fiscal year ended June 30, 2005, interfund transfers were:

<u>Fund</u>	<u>In</u>	<u>Out</u>
Private-Purpose Trust Funds		
E.H. Parriott Scholarship Trust Income	\$ 111,721	\$ -
E.H. Parriott Scholarship Trust Principal	<u>-</u>	<u>111,721</u>
	<u>\$ 111,721</u>	<u>\$ 111,721</u>

NOTE 9 - DISPOSITION OF DISTRIBUTIVE FUND INTEREST

Interest earned on the investment of the Distributive Fund is remitted by the Regional Office of Education #8 to the Carroll, Jo Daviess, Stephenson Educational Intergovernmental Agreement.

NOTE 10 - LEASES

The E.H. Parriott Scholarship Trust is the lessor of several parcels of farm land and attached buildings under various separate lease arrangements ranging from month-to-month rentals on buildings to 3-year noncancellable leases on farm land. Rental income for the fiscal year ended June 30, 2005 was \$93,609.

Minimum future rental income on the above noncancellable leases on farm land as of June 30, 2005 were:

<u>Year Ended June 30,</u>	
2006	\$ 84,778
2007	46,558
2008	<u>46,158</u>
Total	<u>\$ 177,494</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

NOTE 11 - DUE TO/FROM OTHER GOVERNMENTS

The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's General, Special Revenue, and Trust and Agency Funds have funds due to and due from various other governmental units which consist of the following:

Due From Other Governments	
General	
Special Services	
Other local entities - payroll	\$ 93,585
Education	
Early Childhood Preschool at Risk	
Illinois State Board of Education	<u>27,293</u>
Total	<u>\$ 120,878</u>
Due to Other Governments	
Agency Fund	
Distributive Interest Fund	
Other entities and local school districts - interest	<u>\$ 4,904</u>

NOTE 12 - RISK MANAGEMENT

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 assumes liability for any deductibles and claims in excess of coverage limitations. There has been no significant reduction in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the year.

NOTE 13 - NEW PRONOUNCEMENT

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 adopted Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Disclosures, during the year ended June 30, 2005. This statement establishes and modifies disclosure requirements related to investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. This statement also establishes and modifies disclosure requirements for deposit risks.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION
(Other than Management's Discussion and Analysis)

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF FUNDING PROGRESS -
ILLINOIS MUNICIPAL RETIREMENT FUND (Unaudited)
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	\$1,009,150	\$1,209,356	\$ 200,206	83.45%	\$ 882,499	22.69%
12/31/03	871,457	1,020,375	148,918	85.41%	759,429	19.61%
12/31/02	979,738	1,013,678	33,940	96.65%	699,730	4.85%
12/31/01	889,814	890,975	1,161	99.87%	660,453	0.18%
12/31/00	676,085	729,329	53,244	92.70%	581,588	9.15%
12/31/99	726,010	726,880	870	99.88%	470,774	0.18%
12/31/98	544,044	608,574	64,530	89.40%	407,533	15.83%
12/31/97	409,156	1,190,543	781,387	34.37%	400,972	194.87%
12/31/96	324,037	503,737	179,700	64.33%	281,234	63.90%
12/31/95	128,671	325,854	197,183	39.49%	102,024	193.27%

On a market value basis, the actuarial value of assets as of December 31, 2004 is \$1,011,274. On a market basis, the funded ratio would be 83.62%.

***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.

SUPPLEMENTAL INFORMATION

SCHEDULE 1

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
 REGIONAL OFFICE OF EDUCATION #8
 COMBINING SCHEDULE OF ACCOUNTS
 GENERAL FUND
 June 30, 2005**

	<u>Counties Support</u>	<u>ROE Operations</u>	<u>Special Services</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 243	\$ -	\$ 2,432	\$ 2,675
Due from other governments	-	-	93,585	93,585
TOTAL ASSETS	<u>\$ 243</u>	<u>\$ -</u>	<u>\$ 96,017</u>	<u>\$ 96,260</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accrued expenses	\$ -	\$ -	\$ 84,759	\$ 84,759
FUND BALANCE, UNRESERVED	<u>243</u>	<u>-</u>	<u>11,258</u>	<u>11,501</u>
TOTAL LIABILITIES AND FUND BALANCE, UNRESERVED	<u>\$ 243</u>	<u>\$ -</u>	<u>\$ 96,017</u>	<u>\$ 96,260</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND
Year Ended June 30, 2005**

	<u>Counties Support</u>	<u>ROE Operations</u>	<u>Special Services</u>	<u>Totals</u>
REVENUES				
Local sources				
Counties support	\$ 130,529	\$ -	\$ -	\$ 130,529
Interest	-	-	5,187	5,187
Service revenue	-	-	276,597	276,597
Total local sources	<u>130,529</u>	<u>-</u>	<u>281,784</u>	<u>412,313</u>
State sources	-	65,763	247,505	313,268
Federal sources	-	-	28,493	28,493
On-behalf payments	-	-	308,198	308,198
	<u>-</u>	<u>-</u>	<u>308,198</u>	<u>308,198</u>
Total revenues	<u>130,529</u>	<u>65,763</u>	<u>865,980</u>	<u>1,062,272</u>
EXPENDITURES				
Current:				
Education:				
Salaries	85,730	46,100	193,343	325,173
Employee benefits	14,466	19,663	-	34,129
Purchased services	7,479	-	75,727	83,206
Supplies and materials	22,833	-	1,000	23,833
Capital outlay	-	-	7,567	7,567
Payments to other governments	-	-	275,998	275,998
On-behalf payments	-	-	308,198	308,198
	<u>-</u>	<u>-</u>	<u>308,198</u>	<u>308,198</u>
Total expenditures	<u>130,508</u>	<u>65,763</u>	<u>861,833</u>	<u>1,058,104</u>
NET CHANGE IN FUND BALANCES	21	-	4,147	4,168
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR	<u>222</u>	<u>-</u>	<u>7,111</u>	<u>7,333</u>
FUND BALANCE, UNRESERVED, END OF YEAR	<u>\$ 243</u>	<u>\$ -</u>	<u>\$ 11,258</u>	<u>\$ 11,501</u>

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2005

SCHEDULE 3

	ROE Operations Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
State sources	\$ 65,763	\$ 65,763	\$ 65,763	\$ -
EXPENDITURES:				
Current:				
Education:				
Salaries	46,100	46,100	46,100	-
Employee benefits	19,663	19,663	19,663	-
Total expenditures	65,763	65,763	65,763	-
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -	\$ -

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND ACCOUNTS
June 30, 2005

SCHEDULE 4

	Title V - Innovative Programs Formula	Truants Alternative/ Optional Ed.	Early Childhood Preschool at Risk	Regional Safe Schools	Learning Technology Center	Technology Matters	Title I - Reading First Part B SEA Funds
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ (27,293)	\$ -	\$ 29	\$ 10,840	\$ 18,258
Due from other governments	-	-	27,293	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29</u>	<u>\$ 10,840</u>	<u>\$ 18,258</u>
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,840	\$ 5,324
Deferred revenue	-	-	-	-	-	-	12,934
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,840</u>	<u>18,258</u>
FUND BALANCE							
Unreserved	-	-	-	-	29	-	-
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29</u>	<u>\$ 10,840</u>	<u>\$ 18,258</u>

**SCHEDULE 4
(CONTINUED)**

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND ACCOUNTS
June 30, 2005**

	Title IV - Safe and Drug Free Schools Formula		Early Intervention Infants/ Toddlers	Title II Teacher Quality	System of Support	Standard Aligned Classroom	Totals
ASSETS							
Cash and cash equivalents	\$ -	\$ 2,297	\$ -	\$ -	\$ 25,870	\$ -	\$ 30,001
Due from other governments	-	-	-	-	-	-	27,293
Total assets	<u>\$ -</u>	<u>\$ 2,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,870</u>	<u>\$ -</u>	<u>\$ 57,294</u>
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts payable	\$ -	-	\$ -	-	\$ 14,713	\$ -	\$ 30,877
Deferred revenue	-	-	-	-	11,157	-	24,091
Total liabilities	-	-	-	-	25,870	-	54,968
FUND BALANCE							
Unreserved	-	2,297	-	-	-	-	2,326
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ 2,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,870</u>	<u>\$ -</u>	<u>\$ 57,294</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2005**

	Title V - Innovative Programs Formula	Truants Alternative/ Optional Ed.	Early Childhood Preschool at Risk	Regional Safe Schools	Learning Technology Center	Technology Matters	Title I - Reading First Part B SEA Funds
REVENUES							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-	126,984	-
Miscellaneous	-	-	-	-	-	126,984	-
Total local sources	-	-	762,737	103,856	60,030	-	-
State sources	-	163,825	-	31,437	-	-	-
Federal sources	80	-	-	-	-	-	20,857
Total revenues	80	163,825	762,737	135,293	60,030	126,984	20,857
EXPENDITURES							
Current:							
Education:							
Salaries	-	99,944	63,923	15,750	3,000	-	-
Employee benefits	-	40,466	15,137	5,383	660	-	-
Purchased services	80	21,726	332,786	28,178	55,870	-	18,327
Supplies and materials	-	1,689	5,242	1,622	500	-	2,530
Payments to other governments	-	-	345,649	84,360	-	129,777	-
Total expenditures	80	163,825	762,737	135,293	60,030	129,777	20,857
NET CHANGE IN FUND BALANCES	-	-	-	-	-	(2,793)	-
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-	29	2,793	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ 29	\$ -	\$ -

CARROLL, JO DAVIES, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2005

	Title IV - Safe and Drug Free Schools Formula	Early Intervention Infants/ Toddlers	Title II Teacher Quality	System of Support	Standard Aligned Classroom	Totals
REVENUES						
Local sources	\$ -	\$ 674	\$ -	\$ -	\$ -	\$ 674
Interest	-	17,718	-	-	26,234	170,936
Miscellaneous	-	18,392	-	-	26,234	171,610
Total local sources	-	-	-	-	-	1,090,448
State sources	13,749	541,349	304,021	75,051	-	986,544
Federal sources	13,749	559,741	304,021	75,051	26,234	2,248,602
Total revenues						
	13,749	557,450	304,021	75,051	27,702	2,250,572
EXPENDITURES						
Current:						
Education:						
Salaries	-	313,938	-	27,023	-	523,578
Employee benefits	-	92,488	-	1,786	-	155,920
Purchased services	13,749	131,893	105,355	41,973	27,477	777,414
Supplies and materials	-	12,929	-	4,269	225	29,006
Payments to other governments	-	6,202	198,666	-	-	764,654
Total expenditures	13,749	557,450	304,021	75,051	27,702	2,250,572
NET CHANGE IN FUND BALANCES	-	2,291	-	-	(1,468)	(1,970)
FUND BALANCE, BEGINNING OF YEAR	-	6	-	-	1,468	4,296
FUND BALANCE, END OF YEAR	\$ -	\$ 2,297	\$ -	\$ -	\$ -	\$ 2,326

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
 REGIONAL OFFICE OF EDUCATION #8
 EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2005

	Title V - Innovative Programs Formula				Truants Alternative/ Optional Ed.				Block Grant - Prevention Initiative				Early Childhood				
	Budgeted Amounts		Variance with		Budgeted Amounts		Actual		Budgeted Amounts		Actual		Budgeted Amounts		Actual		
	Original	Final	Original	Final	Original	Final	Original	Final	Original	Final	Original	Final	Original	Final	Original	Final	
REVENUES																	
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-	163,825	163,825	163,825	163,825	-	-	-	-	100,000	100,000	-	-	-
State sources	80	80	80	80	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal sources	80	80	80	80	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	80	80	80	80	163,825	163,825	163,825	163,825	-	-	-	-	100,000	100,000	100,000	100,000	-
EXPENDITURES																	
Current:																	
Education:																	
Salaries	-	-	-	-	100,121	101,105	99,944	99,944	1,161	-	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	37,579	38,921	40,466	40,466	(1,545)	-	-	-	-	-	-	-	-
Purchased services	80	80	80	80	24,549	22,374	21,726	21,726	648	100,000	100,000	100,000	100,000	100,000	-	-	-
Supplies and materials	-	-	-	-	1,576	1,425	1,689	1,689	(264)	-	-	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	80	80	80	80	163,825	163,825	163,825	163,825	-	-	-	-	100,000	100,000	100,000	100,000	-

NET CHANGE IN FUND BALANCE: \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -

FUND BALANCE, UNRESERVED, BEGINNING OF YEAR \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -

FUND BALANCE, UNRESERVED, END OF YEAR \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2005

	Early Childhood				Early Childhood				Regional Safe			
	Block Grant - Prekindergarten		Block Grant - Birth to Age 3		Block Grant - Birth to Age 3		Regional Safe		Schools		Schools	
	Budgeted Amounts	Actual Amounts	Variance with Final Budget	Budgeted Amounts	Actual Amounts	Variance with Final Budget	Budgeted Amounts	Actual Amounts	Budgeted Amounts	Actual Amounts	Variance with Final Budget	Variance with Final Budget
Local sources												
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	476,419	476,419	-	186,318	186,318	186,318	-	103,856	-	103,856	-	103,856
Federal sources	-	-	-	-	-	-	-	-	-	-	-	(103,856)
Total revenues	476,419	476,419	-	186,318	186,318	186,318	-	135,293	135,293	135,293	-	-

EXPENDITURES

Current:												
Education:												
Salaries	63,227	63,923	(696)	-	-	-	15,750	15,750	15,750	15,750	-	-
Employee benefits	14,423	15,137	(714)	-	-	-	5,000	5,000	5,000	5,383	-	(383)
Purchased services	49,955	46,468	3,487	186,318	186,318	186,318	28,983	28,983	28,983	28,178	-	805
Supplies and materials	2,210	5,242	(3,032)	-	-	-	1,200	1,200	1,200	1,622	-	(422)
Payments to other governments	346,604	345,649	955	-	-	-	84,360	84,360	84,360	84,360	-	-
Total expenditures	476,419	476,419	-	186,318	186,318	186,318	135,293	135,293	135,293	135,293	-	-

NET CHANGE IN FUND BALANCE: \$ -

FUND BALANCE, UNRESERVED, BEGINNING OF YEAR

FUND BALANCE, UNRESERVED, END OF YEAR

CARROLL, JO DAVISS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2005

	Learning Technology Center				Technology Matters				Title I - Reading First Part B SEA Funds			
	Budgeted Amounts		Actual		Budgeted Amounts		Actual		Budgeted Amounts		Actual	
	Original	Final	Final Budget	Variance with Final Budget	Original	Final	Final Budget	Variance with Final Budget	Original	Final	Final Budget	Variance with Final Budget
REVENUES												
Local sources												
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ 126,984	\$ 126,984	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	60,030	60,030	60,030	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	27,181	29,809	20,857	(8,952)
Total revenues	60,030	60,030	60,030	-	126,984	126,984	126,984	-	27,181	29,809	20,857	(8,952)
EXPENDITURES												
Current:												
Education:												
Salaries	3,000	3,000	3,000	-	-	-	-	-	-	-	-	-
Employee benefits	660	660	660	-	-	-	-	-	-	-	-	-
Purchased services	55,870	55,870	55,870	-	-	-	-	-	21,581	24,209	18,327	5,882
Supplies and materials	500	500	500	-	-	-	-	-	5,600	5,600	2,530	3,070
Payments to other governments	-	-	-	-	126,984	126,984	129,777	(2,793)	-	-	-	-
Total expenditures	60,030	60,030	60,030	-	126,984	126,984	129,777	(2,793)	27,181	29,809	20,857	8,952
NET CHANGE IN FUND BALANCE:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(2,793)	\$ (2,793)	\$ -	\$ -	\$ -	\$ -
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR			29				2,793					
FUND BALANCE, UNRESERVED, END OF YEAR		\$ 29				\$ -					\$ -	

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2005

	Title IV - Safe and Drug Free Schools Formula				Title II Teacher Quality				Total		
	Budgeted Amounts		Variance with Final Budget		Budgeted Amounts		Actual Amounts		Actual Amounts		
	Original	Final	Original	Final	Original	Final	Original	Final	Original	Final	
REVENUES											
Local sources											
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,984	\$ 126,984	\$ -
State sources	-	-	-	-	-	-	-	-	986,592	986,592	103,856
Federal sources	13,749	13,749	13,749	-	304,021	304,021	304,021	-	480,324	482,952	(112,808)
Total revenues	13,749	13,749	13,749	-	304,021	304,021	304,021	-	1,593,900	1,596,528	(8,952)
EXPENDITURES											
Current:											
Education:											
Salaries	-	-	-	-	-	-	-	-	182,098	183,082	465
Employee benefits	-	-	-	-	-	-	-	-	57,662	59,004	(2,642)
Purchased services	13,749	13,749	13,749	-	105,020	105,355	(335)	-	586,105	586,558	10,487
Supplies and materials	-	-	-	-	-	-	-	-	11,086	10,935	(648)
Payments to other governments	-	-	-	-	199,001	199,001	335	-	756,949	758,452	(1,503)
Total expenditures	13,749	13,749	13,749	-	304,021	304,021	-	-	1,593,900	1,596,528	6,159
NET CHANGE IN FUND BALANCE:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,793)
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR											2,822
FUND BALANCE, UNRESERVED, END OF YEAR											\$ 29

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
 REGIONAL OFFICE OF EDUCATION #8
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2005

	<u>General Educational Development</u>	<u>Bus Driver</u>	<u>Super- visory</u>	<u>Institute</u>	<u>Annexation</u>	<u>Medical Reimbursement</u>	<u>Totals</u>
ASSETS							
Cash and cash equivalents	\$ 1,093	\$ 1,390	\$ 849	\$ 47,036	\$ -	\$ 687	\$ 51,055
LIABILITIES AND FUND BALANCE							
LIABILITIES							
None	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES							
Unreserved	1,093	1,390	849	47,036	-	687	51,055
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,093	\$ 1,390	\$ 849	\$ 47,036	\$ -	\$ 687	\$ 51,055

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2005

	General Educational Development	Bus Driver	Super- visory	Institute	Annexation	Medical Reim- bursement	Totals
REVENUES							
Local sources	\$ 7,622	\$ 3,203	\$ 170	\$ 22,964	\$ -	\$ 25,931	\$ 59,890
State sources	-	720	3,000	-	-	-	3,720
Total revenues	<u>7,622</u>	<u>3,923</u>	<u>3,170</u>	<u>22,964</u>	<u>-</u>	<u>25,931</u>	<u>63,610</u>
EXPENDITURES							
Current:							
Education:							
Salaries	3,250	-	-	3,231	-	-	6,481
Employee benefits	215	-	-	596	-	-	811
Purchased services	3,448	2,192	1,792	12,819	500	25,381	46,132
Supplies and materials	903	187	-	4,009	-	31	5,130
Other objects	-	-	649	-	-	-	649
Total expenditures	<u>7,816</u>	<u>2,379</u>	<u>2,441</u>	<u>20,655</u>	<u>500</u>	<u>25,412</u>	<u>59,203</u>
NET CHANGE IN FUND BALANCES	(194)	1,544	729	2,309	(500)	519	4,407
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>1,287</u>	<u>(154)</u>	<u>120</u>	<u>44,727</u>	<u>500</u>	<u>168</u>	<u>46,648</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,093</u>	<u>\$ 1,390</u>	<u>\$ 849</u>	<u>\$ 47,036</u>	<u>\$ -</u>	<u>\$ 687</u>	<u>\$ 51,055</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2005**

	E.H. Parriott Scholarship Trust Principal Fund	E.H. Parriott Scholarship Trust Income Fund	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 36,847	\$ 36,847
Investments	614,979	150,648	765,627
Rent receivable	10,772	-	10,772
Interest receivable	1,299	27	1,326
Due from other funds	-	17,401	17,401
Property and equipment	767,752	-	767,752
Total assets	<u>1,394,802</u>	<u>204,923</u>	<u>1,599,725</u>
LIABILITIES			
Accounts payable	-	5,186	5,186
Due to other funds	17,401	-	17,401
Deposits	1,550	-	1,550
Deferred revenue	8,495	-	8,495
Total liabilities	<u>27,446</u>	<u>5,186</u>	<u>32,632</u>
NET ASSETS			
Held in trust for other purposes	<u>\$ 1,367,356</u>	<u>\$ 199,737</u>	<u>\$ 1,567,093</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
Year Ended June 30, 2005**

	E.H. Parriott Scholarship Trust Principal Fund	E.H. Parriott Scholarship Trust Income Fund	Total
ADDITIONS:			
Local sources			
Rent	\$ 93,609	\$ -	\$ 93,609
Interest and dividends	63,673	4,554	68,227
Total additions	<u>157,282</u>	<u>4,554</u>	<u>161,836</u>
DEDUCTIONS:			
Purchased services	-	36,435	36,435
Scholarships	-	77,470	77,470
Depreciation	9,244	-	9,244
Total deductions	<u>9,244</u>	<u>113,905</u>	<u>123,149</u>
EXCESS (DEFICIENCY) OF ADDITIONS OVER (UNDER) DEDUCTIONS	<u>148,038</u>	<u>(109,351)</u>	<u>38,687</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	111,721	111,721
Transfers out	(111,721)	-	(111,721)
Total other financing sources (uses)	<u>(111,721)</u>	<u>111,721</u>	<u>-</u>
CHANGES IN NET ASSETS	36,317	2,370	38,687
NET ASSETS, BEGINNING OF YEAR	<u>1,331,039</u>	<u>197,367</u>	<u>1,528,406</u>
NET ASSETS, END OF YEAR	<u>\$ 1,367,356</u>	<u>\$ 199,737</u>	<u>\$ 1,567,093</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2005**

	<u>Distributive Fund</u>	<u>Distributive Interest Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 4,904</u>	<u>\$ 4,904</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other governmental units	<u>\$ -</u>	<u>\$ 4,904</u>	<u>\$ 4,904</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2005**

	Balance, July 1, 2004	Additions	Deductions	Balance, June 30, 2005
DISTRIBUTIVE FUND				
ASSETS				
Cash	\$ -	\$ 2,370,296	\$ 2,370,296	\$ -
LIABILITIES				
Due to other governmental units	\$ -	\$ 2,370,296	\$ 2,370,296	\$ -
 DISTRIBUTIVE INTEREST FUND				
ASSETS				
Cash	\$ 3,525	\$ 1,379	\$ -	\$ 4,904
LIABILITIES				
Due to other governmental units	\$ 3,525	\$ 1,379	\$ -	\$ 4,904
 TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 3,525	\$ 2,371,675	\$ 2,370,296	\$ 4,904
LIABILITIES				
Due to other governmental units	\$ 3,525	\$ 2,371,675	\$ 2,370,296	\$ 4,904

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
June 30, 2005

Program	School District #300	School District #301	School District Thomson	Eagle Ridge Vocational Delivery System	ROE Programs and Services	Carroll-Jo Daviess-Stephenson ROE	Carroll County Highway Department	Totals
	\$	\$	\$	\$	\$	\$	\$	\$
General State Aid	-	-	-	-	170,961	275,998	-	446,959
Voc. Ed - Coordination Grant (Admin. G.)	-	-	-	39,278	-	-	-	39,278
Voc. Ed - Secondary Program Improve.	-	-	-	285,386	-	-	-	285,386
Voc. Ed - Agriculture Education	-	-	-	10,391	-	-	-	10,391
Land Lease/Flood Control	7,282	2,693	-	-	-	-	9,976	19,951
ROE School Bus Driver Training	-	-	-	-	-	720	-	720
Truants Alternative Optional Education	-	-	-	-	-	163,825	-	163,825
Regional Safe Schools	-	-	-	-	-	135,293	-	135,293
Early Childhood Block Grant	-	-	-	-	-	735,444	-	735,444
ROE/ISC Operations	-	-	-	-	-	65,763	-	65,763
Supervisory	-	-	-	-	-	3,000	-	3,000
Learning Technology Centers	-	-	-	-	-	60,030	-	60,030
Title V Innovative Prog.	-	-	-	-	-	80	-	80
Title I - Reading First Part B SEA Funds	-	-	-	-	-	25,401	-	25,401
Title VI Safe/Drug Free	-	-	-	-	-	13,749	-	13,749
Voc. Ed - Perkins Title IIC Secondary	-	-	-	61,005	-	-	-	61,005
Title II Teacher Quality	-	-	-	-	-	304,021	-	304,021
Totals	7,282	2,693	2,693	396,060	170,961	1,783,324	9,976	2,370,296

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005**

SCHEDULE 14

Federal Grantor/Pass- Through Grantor, Program or Cluster Title	CFDA Number	Project Number (1st 8 digits) or Contract #	Federal Expenditures 7/1/04 - 6/30/05	Oblig./ Encumb.	Status Final
U.S. Dept. of Education passed through Illinois State Board of Education:					
Title I - Reading First Part B SEA Funds	84.357A	05-4337-02	\$ 15,533	\$ 5,324	\$ 20,857
Title IV - Safe and Drug Free Schools Formula	84.186A	05-4400-00	13,749	-	13,749
Title V - Innovative Programs-Formula	84.298A	05-4100-00	80	-	80
Title II - Teacher Quality	84.367A	05-4932-00	304,021	-	304,021
			<u>333,383</u>	<u>5,324</u>	<u>338,707</u>
U.S. Dept. of Health and Human Services passed through Illinois State Board of Education:					
Regional Safe Schools - General State Aid (TANF)	93.558	05-3001-93	28,493	-	28,493
Regional Safe Schools Programs (TANF)	93.558	05-3696-00	31,437	-	31,437
			<u>59,930</u>	<u>-</u>	<u>59,930</u>
Total passed through Illinois State Board of Education			<u>393,313</u>	<u>5,324</u>	<u>398,637</u>
U.S. Dept. of Education passed through Illinois Department of Human Services:					
Social Services Block Grant non-cash (Note 4)	93.667	511G5745000	81,590	-	81,590
(M) Early Intervention	84.181	511G5745000	541,349	-	541,349
Total passed through Illinois Department of Human Services			<u>622,939</u>	<u>-</u>	<u>622,939</u>
U.S. Dept. of Education passed through Kishwaukee Intermediate Delivery System:					
System of Support	84.357		60,338	14,713	75,051
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,076,590</u>	<u>\$ 20,037</u>	<u>\$ 1,096,627</u>

(M) Program was audited as a major program.

The accompanying notes are an integral part of this schedule.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 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 preparation of these basic financial statements.

NOTE 2 - SUBRECIPIENTS

Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA#</u>	<u>Amount Provided To Subrecipients</u>
Title II - Teacher Quality	84.367A	\$ 198,666
Early Intervention Infants/Toddlers	84.181	6,202

NOTE 3 - DESCRIPTION OF MAJOR FEDERAL PROGRAM

The Early Intervention program is to account for grant monies received for and payment of, expenditures incurred in providing early intervention services.

The Social Services Block Grant (non-cash) is to account for services provided by the Department of Health and Human Services to participants in programs provided by the Regional Office of Education #8. The Regional Office of Education #8 was notified by Illinois DHS after their June 30, 2004 audit was complete that the non-cash items should have been tested as a major program. Non-cash expenditures during the year ended June 30, 2004 of \$428,758 were tested as a major program during the June 30, 2005 audit. This Social Services Block Grant funding is not listed on the June 30, 2005 Schedule of Expenditures of Federal Awards.

NOTE 4 - NON-CASH ASSISTANCE

Non-cash assistance is reported in the schedule at the fair market value of the non-cash assistance received and disbursed.

NOTE 5 - AMOUNT OF INSURANCE

N/A

NOTE 6 - LOANS OR LOAN GUARANTEES OUTSTANDING

N/A

This information is an integral part of the accompanying schedule.