

**State of Illinois
DeKALB COUNTY
REGIONAL OFFICE OF EDUCATION NO. 16
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**

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16

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DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16

OFFICIALS

Regional Superintendent
(current and during the audit period)

Mr. Gilbert E. Morrison, Jr.

Assistant Regional Superintendent
(current and during the audit period)

Ms. Tatia L. Beckwith

Office is located at:

245 W. Exchange St., Suite 2
Sycamore, Illinois 60178

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16

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	1	1
Repeated audit findings	0	0
Prior recommendations implemented or not repeated	1	2

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
05-1	11-12	FINDINGS (GOVERNMENT AUDITING STANDARDS) Controls Over Compliance with Laws and Regulations
		FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE) None
04-1	15	PRIOR FINDINGS NOT REPEATED (GOVERNMENTAL AUDITING STANDARDS) Mandate Compliance
		PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE) None

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on November 18, 2005. Attending were Mr. Gilbert E. Morrison, Jr., Regional Superintendent, Donna Milburn, bookkeeper, and Beth McGrath, CPA from Clifton Gunderson LLP. Responses to the recommendations were provided by Mr. Gilbert E. Morrison, Jr., Regional Superintendent; and Donna Milburn, bookkeeper on November 18, 2005.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of DeKalb County Regional Office of Education No. 16 was performed by Clifton Gunderson LLP.

Based on their audit, the auditors expressed an unqualified opinion on DeKalb County Regional Office of Education No. 16's basic financial statements.

INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DeKalb County Regional Office of Education No. 16, as of and for the year ended June 30, 2005, which collectively comprise the DeKalb County Regional Office of Education No. 16's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the DeKalb County Regional Office of Education No. 16's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the DeKalb County Regional Office of Education No. 16, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2005, on our consideration of the DeKalb County Regional Office of Education No. 16's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 16 through 26 is not a required part of the basic financial statements but is supplemental information required by the 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 DeKalb County Regional Office of Education No. 16's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Disbursements to Other Entities - Distributive Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Guidelines to Auditing and Reporting for a Regional Office of Education* and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to Other Entities - Distributive Fund and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Henderson LLP

DeWitt, Iowa
November 28, 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, each major fund, and the aggregate remaining fund information of the DeKalb County Regional Office of Education No. 16, as of and for the year ended June 30, 2005, which collectively comprise the DeKalb County Regional Office of Education No. 16's basic financial statements and have issued our report thereon dated November 28, 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 DeKalb County Regional Office of Education No. 16'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 DeKalb County Regional Office of Education No. 16's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance which is required by the *Guidelines to Auditing and Reporting for a Regional Office of Education*, to be reported on the accompanying Schedule of Findings and Questioned Costs as item 05-1.

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

Clifton Gundersen LLP

DeWitt, Iowa
November 28, 2005

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of the DeKalb County Regional Office of Education No. 16 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 DeKalb County Regional Office of Education No. 16'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 DeKalb County Regional Office of Education No. 16's management. Our responsibility is to express an opinion on the DeKalb County Regional Office of Education No. 16's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 criteria as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*. Those standards and criteria require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the DeKalb County Regional Office of Education No. 16's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the DeKalb County Regional Office of Education No. 16's compliance with those requirements.

In our opinion, the DeKalb County Regional Office of Education No. 16 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the DeKalb County Regional Office of Education No. 16 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the DeKalb County Regional Office of Education No. 16'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 criteria as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*.

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

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

Clifton Henderson LLP

DeWitt, Iowa
November 28, 2005

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
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>93.558</u>	<u>Regional Safe Schools Grant (TANF)</u>
<u>93.558</u>	<u>Regional Safe Schools Grant - General State Aid (TANF)</u>
_____	_____
_____	_____
_____	_____

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

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

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005**

Section II: Findings Related to the Basic Financial Statements:

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

Criteria/Specific Requirement:

The Illinois School Code 105 ILCS 5/3-14.11 states that the Regional Superintendent shall examine at least once each year all books, accounts, and vouchers of every school treasurer in 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 No. 16 did not comply with statutory requirements.

Cause:

According to ROE Officials, this mandate is not possible due to the time requirements 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.

Auditor's Recommendation:

The Regional Office of Education No. 16 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.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 05-1 - 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.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

Section III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

None

REPORTABLE CONDITIONS:

None

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
June 30, 2005**

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

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:

Mr. Gilbert E. Morrison, Jr., Regional Superintendent

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2005

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
04-1	Mandate Compliance	Corrected

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

DeKalb County Regional Office of Education No. 16 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 DeKalb County Regional Office of Education No. 16's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Institute Fund revenues increased from \$258,060 in fiscal year 2004 to \$274,326 in fiscal year 2005, and Institute Fund expenditures decreased from \$277,737 in fiscal year 2004 to \$275,826 in fiscal year 2005. DeKalb County Regional Office of Education No. 16's Institute Fund balance decreased from \$68,320 in fiscal year 2004 to \$66,820 in fiscal year 2005, a 2.2% decrease.
- The increase in Institute Fund revenues was attributable to additional teacher's certificate registrations during the year as compared to the prior year.
- The General Education Development Fund revenues decreased from \$6,837 in 2004 to \$5,077 in 2005. This decrease is primarily due to fewer people registering for GED testing. Expenditures decreased from \$4,876 in 2004 to \$4,412 in 2005. This decrease is primarily due to fewer materials needed for GED testing.
- The Education Fund revenues and expenditures increased from \$367,692 in 2004 to \$518,085 in 2005. This increase is primarily due to an increase in state and federal funding.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

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 DeKalb County Regional Office of Education No. 16'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 DeKalb County Regional Office of Education No. 16 as a whole and present an overall view of DeKalb County Regional Office of Education No. 16'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 DeKalb County Regional Office of Education No. 16's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

Other Supplemental Information provides detailed information about the Education Fund grants in detail, and the nonmajor special revenue funds.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

Summarized below are the major features of DeKalb County Regional Office of Education No. 16's financial statements, including the portion of DeKalb County Regional Office of Education No. 16's activities they cover and the types of information they contain.

	Government-wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire DeKalb County Regional Office of Education No. 16	The activities of DeKalb County Regional Office of Education, such as Institute, General Educational Development, and Education	Instances in which Regional Office of Education No. 16 administers resources on behalf of someone else, such as the distributive fund.
Required financial statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	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
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 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 additions and deductions during the year, regardless of when cash is received or paid

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

**REPORTING DEKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16'S
FINANCIAL ACTIVITIES**

Government-wide Financial Statements

The government-wide financial statements report information about DeKalb County Regional Office of Education No. 16 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of DeKalb County Regional Office of Education No. 16'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 DeKalb County Regional Office of Education No. 16's net assets and how they have changed. Net assets - the difference between DeKalb County Regional Office of Education No. 16's assets and liabilities - are one way to measure DeKalb County Regional Office of Education No. 16's financial health or financial position. Over time, increases or decreases in DeKalb County Regional Office of Education No. 16's net assets are an indicator of whether financial position is improving or deteriorating. To assess DeKalb County Regional Office of Education No. 16's overall health, additional non-financial factors, such as changes in DeKalb County Regional Office of Education No. 16's community and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, DeKalb County Regional Office of Education No. 16's activities are in one category:

- *Governmental activities:* All of DeKalb County Regional Office of Education No. 16's basic services are included here, such as grants and teacher certifications. Federal and state grants and local programs finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about DeKalb County Regional Office of Education No. 16's funds, focusing on its most significant or "major" funds - not DeKalb County Regional Office of Education No. 16 as a whole. Funds are accounting devices DeKalb County Regional Office of Education No. 16 uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law. DeKalb County Regional Office of Education No. 16 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.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

DeKalb County Regional Office of Education No. 16 has two kinds of funds:

1) *Governmental funds*: All of DeKalb County Regional Office of Education No. 16'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 DeKalb County Regional Office of Education No. 16's programs.

DeKalb County Regional Office of Education No. 16's governmental funds include Institute Fund, General Educational Development Fund, Bus Permit Fund, Supervisory Fund, and Education Fund.

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

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

2) *Fiduciary funds*: DeKalb County Regional Office of Education No. 16 is the trustee for assets that belong to others. These funds include Agency Funds. Agency Funds are funds through which DeKalb County Regional Office of Education No. 16 administers and accounts for certain federal and/or state grants on behalf of others.

DeKalb County Regional Office of Education No. 16 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. DeKalb County Regional Office of Education No. 16 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 include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of DeKalb County Regional Office of Education No. 16, assets exceeded liabilities by \$88,503 as of June 30, 2005.

The Government-wide statements also include \$39,859 in liabilities consisting of accounts payable and deferred revenue.

DeKalb County Regional Office of Education No. 16's financial position is the product of several financial transactions including the net results of activities.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

The following table presents a summary of DeKalb County Regional Office of Education No. 16's net assets for the fiscal years ended June 30, 2005 and 2004.

	<u>Governmental Activities</u>
 <u>2005</u>	
Current assets	\$ 128,362
Current liabilities	<u>39,859</u>
Net assets, unrestricted	<u>\$ 88,503</u>
 <u>2004</u>	
Current assets	\$ 120,319
Current liabilities	<u>31,772</u>
Net assets, unrestricted	<u>\$ 88,547</u>

The largest portion of DeKalb County Regional Office of Education No. 16's net assets is cash that is to be used to finance operations.

Unrestricted net assets - 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 was \$88,503 and \$88,547 at June 30, 2005 and 2004, respectively.

Changes in net assets. DeKalb County Regional Office of Education No. 16's total revenues for the fiscal years ended June 30, 2005 and 2004 were \$800,829 and \$636,641, respectively. The total cost of all programs and services for 2005 and 2004 was \$800,873 and \$653,904, respectively. The following tables present a summary of the changes in net assets for the fiscal years ended June 30, 2005 and 2004.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

	<u>Governmental Activities</u>
<u>2005</u>	
Revenues	
Program revenues	
Charges for services	\$ 37,270
Operating grants and contributions	520,043
General revenues	
Local sources	6,460
On-behalf payments	<u>237,056</u>
Total revenues	<u>800,829</u>
Expenses	
Education	
Purchased services	414,081
Supplies and materials	998
Payments to other governments	148,738
Administrative	
On-behalf payments	<u>237,056</u>
Total expenses	<u>800,873</u>
Change in net assets	(44)
Beginning net assets	<u>88,547</u>
Ending net assets	<u>\$ 88,503</u>

Operating grants and contributions account for 65% of the total revenue. DeKalb County Regional Office of Education No. 16's expenses primarily relate to education which accounts for 70% of the total expenses.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

	<u>Governmental Activities</u>
<u>2004</u>	
Revenues	
Program revenues	
Charges for services	\$ 25,203
Operating grants and contributions	369,632
General revenues	
Local sources	2,112
On-behalf payments	<u>239,694</u>
Total revenues	<u>636,641</u>
Expenses	
Education	
Salaries	9,776
Employee benefits	1,135
Purchased services	394,100
Supplies and materials	2,194
Payments to other governments	7,005
Administrative	
On-behalf payments	<u>239,694</u>
Total expenses	<u>653,904</u>
Change in net assets	(17,263)
Beginning net assets	<u>105,810</u>
Ending net assets	<u>\$ 88,547</u>

Operating grants and contributions account for 58% of the total revenue. DeKalb County Regional Office of Education No. 16's expenses primarily relate to education which accounts for 63% of the total expenses.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

Governmental Activities

Revenues for governmental activities were \$800,829 and \$636,641 and expenses were \$800,873 and \$653,904 for 2005 and 2004, respectively.

The following table presents the cost of DeKalb County Regional Office of Education No. 16's functional governmental activities. The table also shows 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 DeKalb County Regional Office of Education No. 16's community by each of these functions.

<u>2005</u>	<u>Total Expenses</u>	<u>Net (Expenses) Revenues</u>
Education		
Purchased services	\$ 414,081	\$ (5,506)
Supplies and materials	998	(998)
Payments to other governments	148,738	-
Administrative		
On-behalf payments	<u>237,056</u>	<u>(237,056)</u>
Total expenses	<u>\$ 800,873</u>	<u>\$ (243,560)</u>

- The cost of all governmental activities this year was \$800,873.
- Charges for services and operating grants and contributions subsidized certain governmental activities with grants and contributions and other local revenues of \$557,313.

Net cost of governmental activities (\$243,560), was financed by local sources and on-behalf payments that are not directly associated with the functions and objects above.

<u>2004</u>	<u>Total Expenses</u>	<u>Net (Expenses) Revenues</u>
Education		
Salaries	\$ 9,776	\$ -
Employee benefits	1,135	-
Purchased services	394,100	(18,102)
Supplies and materials	2,194	(1,273)
Payments to other governments	7,005	-
Administrative		
On-behalf payments	<u>239,694</u>	<u>(239,694)</u>
Total expenses	<u>\$ 653,904</u>	<u>\$ (259,069)</u>

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

- The cost of all governmental activities in FY04 was \$653,904.
- Charges for services and operating grants and contributions subsidized certain governmental activities with grants and contributions and other local revenues of \$394,835.

Net cost of governmental activities (\$259,069), was financed by local sources and on-behalf payments that are not directly associated with the functions and objects above.

INDIVIDUAL FUND ANALYSIS

As previously noted, DeKalb County Regional Office of Education No. 16 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of DeKalb County Regional Office of Education No. 16 as a whole is reflected in its governmental funds, as well. As DeKalb County Regional Office of Education No. 16 completed the year, its governmental funds reported a combined fund balance of \$88,503, below last year's ending fund balance of \$88,547.

Governmental Fund Highlights

- The Institute Fund balance decreased from \$68,320 in 2004 to \$66,820 in 2005, due to additional purchases during the year for fingerprinting supplies.
- The GED Fund balance increased from \$17,685 to \$18,350, due to a decrease in the amount of testing materials and scoring expenses during the year.
- The Education Fund balance remained steady at \$ 0.

BUDGETARY HIGHLIGHTS

DeKalb County Regional Office of Education No. 16 is not required to create a budget for overall operations. They are required to prepare budgets for three grants including Early Childhood Grant, Regional Safe Schools Grant, and Alternative Education Grant. They amended the budget for the Alternative Education Grant during the fiscal year.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

ECONOMIC FACTORS BEARING ON DEKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16'S FUTURE

At the time these financial statements were prepared and audited, DeKalb County Regional Office of Education No. 16 was aware of several existing circumstances that could significantly affect its financial health in the future:

Due to a new law requiring all school employees to be fingerprinted, the Regional Office of Education acquired electronic fingerprinting equipment to service school districts in the region. The Regional Office is also available to other industries that require fingerprinting, such as hazmat drivers, loan organizations, nurses, etc. This new program will likely increase revenues and expenses in future years for the Regional Office of Education.

CONTACTING DEKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16'S FINANCIAL MANAGEMENT

This financial report is designed to provide DeKalb County Regional Office of Education No. 16's citizens, taxpayers, customers and creditors with a general overview of DeKalb County Regional Office of Education No. 16's finances and to demonstrate DeKalb County Regional Office of Education No. 16's accountability for the money it receives. If you have questions about this report or need additional financial information, contact DeKalb County Regional Office of Education No. 16, 245 W Exchange St., Suite 2, Sycamore, Illinois 60178.

BASIC FINANCIAL STATEMENTS

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
STATEMENT OF NET ASSETS
June 30, 2005

	<u>Primary Governmental Activities</u>
ASSETS	
Cash	\$ 116,225
Governmental grants receivable	12,058
Interest receivable	<u>79</u>
Total assets	<u>128,362</u>
LIABILITIES	
Accounts payable	32,313
Deferred revenue	<u>7,546</u>
Total liabilities	39,859
NET ASSETS	
Unrestricted	<u>88,503</u>
Total net assets	<u><u>\$ 88,503</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.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
STATEMENT OF ACTIVITIES
 Year Ended June 30, 2005

EXHIBIT B

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets Primary Governmental Activities</u>
FUNCTIONS/PROGRAMS					
Primary government:					
Governmental activities:					
Education:					
Purchased services	\$ 414,081	\$ 37,270	\$ 371,305		\$ (5,506)
Supplies and materials	998	-	-		(998)
Payments to other governments	148,738	-	148,738		-
Administrative:					
On-behalf payments	237,056	-	-		(237,056)
Total primary government	<u>\$ 800,873</u>	<u>\$ 37,270</u>	<u>\$ 520,043</u>		<u>(243,560)</u>
General revenues:					
Local sources				6,460	
On-behalf payments				237,056	
Total general revenues				<u>243,516</u>	
CHANGES IN NET ASSETS					(44)
NET ASSETS, BEGINNING OF YEAR					88,547
NET ASSETS, END OF YEAR					\$ 88,503

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.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

EXHIBIT C

	Institute Fund	General Educational Development Fund	Education Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash	\$ 66,741	\$ 18,350	\$ 27,801	\$ 3,333	\$ 116,225
Governmental grants receivable	-	-	12,058	-	12,058
Interest receivable	79	-	-	-	79
TOTAL ASSETS	\$ 66,820	\$ 18,350	\$ 39,859	\$ 3,333	\$ 128,362
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 32,313	\$ -	\$ 32,313
Deferred revenue	-	-	7,546	-	7,546
Total liabilities	-	-	39,859	-	39,859
FUND BALANCES					
Unreserved, reported in:					
Special revenue funds	66,820	18,350	-	3,333	88,503
TOTAL LIABILITIES AND FUND BALANCES	\$ 66,820	\$ 18,350	\$ 39,859	\$ 3,333	\$ 128,362

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.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total fund balances - governmental funds (page 30)	\$ 88,503
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
No changes	<u>-</u>
Net assets of governmental activities (page 28)	<u><u>\$ 88,503</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.

DEKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

EXHIBIT E

	Institute Fund	General Educational Development Fund	Education Fund	Other Nonmajor Funds	Total Governmental Funds
REVENUES					
Local sources	\$ 37,270	\$ 5,077	2	\$ 1,381	\$ 43,730
State sources	-	-	467,800	1,960	469,760
Federal sources	-	-	50,283	-	50,283
On-behalf payments	237,056	-	-	-	237,056
Total revenues	<u>274,326</u>	<u>5,077</u>	<u>518,085</u>	<u>3,341</u>	<u>800,829</u>
EXPENDITURES					
Current:					
Education:					
Purchased services	38,770	3,414	369,347	2,550	414,081
Supplies and materials	-	998	-	-	998
Payments to other governments	-	-	148,738	-	148,738
On-behalf payments	237,056	-	-	-	237,056
Total expenditures	<u>275,826</u>	<u>4,412</u>	<u>518,085</u>	<u>2,550</u>	<u>800,873</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,500)	665	-	791	(44)
FUND BALANCE, BEGINNING OF YEAR	<u>68,320</u>	<u>17,685</u>	<u>-</u>	<u>2,542</u>	<u>88,547</u>
FUND BALANCE, END OF YEAR	<u>\$ 66,820</u>	<u>\$ 18,350</u>	<u>\$ -</u>	<u>\$ 3,333</u>	<u>\$ 88,503</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.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
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 32)	\$ (44)
Amounts reported for governmental activities in the Statement of Activities are different because:	
No changes	-
Change in net assets of governmental activities (page 29)	\$ (44)

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.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2005

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 56,314</u>
LIABILITIES AND FUND BALANCE	
Due to future scholarships	\$ 2,057
Due to other governmental agencies	<u>54,257</u>
Total liabilities	56,314
FUND BALANCE, UNRESERVED	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE, UNRESERVED	<u>\$ 56,314</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.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2005

The DeKalb County Regional Office of Education No. 16 was created when an Educational Service Region became a Regional Office of Education on August 7, 1995. The DeKalb County Regional Office of Education No. 16 operates under the School Code (105 ILCS 5/3 and 5/3A). The Regional Office of Education encompasses DeKalb County, Illinois. A Regional Superintendent of Schools serves as Chief Administrative Officer of DeKalb County Regional Office of Education No. 16 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 DeKalb County Regional Office of Education No. 16's accounting policies conform to generally accepted accounting principles which are appropriate to local governmental agencies of this type.

PRINCIPLES USED TO DETERMINE THE SCOPE OF THE REPORTING ENTITY

The DeKalb County Regional Office of Education No. 16's reporting entity includes all related organizations for which it exercises oversight responsibility.

The DeKalb County Regional Office of Education No. 16 has developed criteria to determine whether outside agencies with activities which benefit the citizens of DeKalb County Regional Office of Education No. 16, including joint agreements which serve pupils from numerous school districts, should be included within its financial reporting entity. The criteria include but are not limited to, whether DeKalb County Regional Office of Education No. 16 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The Regional Superintendent has determined that no outside agency meets the above criteria and, therefore, no agency has been included as a component unit in the Regional Superintendent's financial statements. In addition, the Regional Superintendent is not aware of any entity which would exercise such oversight which would result in the Regional Superintendent being considered a component unit of the entity.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
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 DeKalb County Regional Office of Education No. 16. 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 DeKalb County Regional Office of Education No. 16's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

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 preceding category. 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 and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental 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.

DeKalb County Regional Office of Education No. 16 reports the following major governmental funds:

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

General Educational Development - to account for the administration of the general educational development testing program. Revenues are received from testing and diploma fees.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2005

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

Early Childhood Grant - 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 Grant - used to account for a grant that provides additional staff and materials for the alternative schools in the region.

General State Aid - used to account for monies received for, and payment of, expenses for general operations of alternative schools in the region.

Alternative Education - used to account for a grant that provides for funding for the alternative schools within the region.

DeKalb County Regional Office of Education No. 16 reports the following nonmajor governmental funds:

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

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

Fiduciary Funds

Agency Funds - The Agency Funds are used to account for assets held by DeKalb County Regional Office of Education No. 16 as an agency for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Distributive - State and federal funds are distributed by the Illinois State Board of Education. DeKalb County Regional Office of Education No. 16 is responsible for forwarding these monies to local school districts and others in DeKalb County.

Scholarship - the source of this account is a bequest. Funds are to be used for scholarships.

Board of Trustees - the source of this account is from the petitions of citizens wishing to change school districts.

Outreach Workers - the source of this fund is a local school district in DeKalb County. Funds are collected from the local school districts then paid to DeKalb County to help fund a Truancy Outreach Worker in DeKalb County.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
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 DeKalb County Regional Office of Education No. 16.

DeKalb County Regional Office of Education No. 16 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, DeKalb County Regional Office of Education No. 16 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 DeKalb County Regional Office of Education No. 16's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

DeKalb County Regional Office of Education No. 16 maintains its financial records on the cash basis. The financial statements of DeKalb County Regional Office of Education No. 16 are prepared by making memorandum adjusting entries to the cash basis financial records.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2005

ASSETS, LIABILITIES AND FUND EQUITY

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

Cash - The cash balances of DeKalb County Regional Office of Education No. 16 are valued at cost.

Governmental grants receivable - Governmental grants receivable represents amounts due from the Illinois State Board of Education.

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.

CAPITAL ASSETS

Capital assets were acquired using the governmental resources of DeKalb County; therefore, the existing balance of capital assets will not be presented.

BUDGETS AND BUDGETARY ACCOUNTING

DeKalb County Regional Office of Education No. 16 does not adopt a formal budget for all revenues and expenditures of the governmental funds, nor are they legally required to do so. The Early Childhood Grant, Regional Safe Schools Grant, and Alternative Education are administered by DeKalb County Regional Office of Education No. 16 and are subject to budget approval by the State of Illinois.

SALARIES AND EXPENSES

The Regional Superintendent and Assistant Superintendent's salaries are paid by the State of Illinois; all other employees are paid by the County of DeKalb. All certified personnel participate in the Teachers' Retirement System of the State of Illinois and others participate in the Illinois Municipal Retirement Fund with the contributions being paid by the County of DeKalb. Information about these retirement plans can be found in the basic financial statements of DeKalb County.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2005

INTERGOVERNMENTAL AGREEMENT

On August 7, 1992, DeKalb County Regional Office of Education No. 16 entered into an Intergovernmental Agreement executed pursuant to the provisions of the Intergovernmental Cooperation Clause of the Illinois Constitution as well as the provisions of the Intergovernmental Cooperation Act of 1973 and the Illinois Admin. Code 525.110. The name of the Educational Service delivery system formed is known as the Kishwaukee Intermediate Delivery System, (KIDS). Membership in KIDS is made up of the following Regional Offices of Education: Boone-Winnebago, DeKalb, and McHenry. The Boone-Winnebago ROE was designated as Administrative Agent.

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

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 - DEPOSITS AND INVESTMENTS

The deposit and investment of monies is governed by the provisions of the Illinois Compiled Statutes. At June 30, 2005, the carrying amount of the deposits was \$172,539 and the bank balance was \$204,601.

Deposits

Custodial credit risk - Custodial credit risk is the risk that in the event of a bank failure, DeKalb County Regional Office of Education No. 16's deposits may not be returned. DeKalb County Regional Office of Education No. 16 does not have a deposit policy for custodial credit risk. As of June 30, 2005, all of DeKalb County Regional Office of Education No. 16's deposits were covered by either FDIC insurance or collateral held by the bank in the name of DeKalb County Regional Office of Education No. 16.

Investments

DeKalb County Regional Office of Education No. 16 does not have a formal investment policy, as its only investments are internally pooled in the Illinois Money Market Fund. As of June 30, 2005, DeKalb County Regional Office of Education No. 16 had investments with carrying and fair values of \$6,175 invested in the Illinois Funds Money Market Fund.

Credit risk - At June 30, 2005, the Illinois Funds Money Market Fund had a Standard and Poor's AAAM rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

Interest rate risk - The Illinois Funds Money Market Fund, created by the Illinois General Assembly, enables custodians of public funds an investment option with a competitive rate of return on fully collateralized investments and immediate access to the funds. The investment policy of the Illinois Funds Money Market Fund states that, unless authorized specifically by the Treasurer, a minimum of 75% of its investments shall have less than one year maturity and no investment shall exceed two years maturity.

Concentration of credit risk - Unless specifically authorized by the Treasurer, the Illinois Funds Money Market Fund investment policy limits investment categories to not exceed 25% of the portfolio with the exception of cash equivalents and U.S. Treasury securities. Further, certificates of deposit cannot exceed 10% of any single financial institution's total deposits.

NOTE 2 - PENSIONS

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

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 3 - DISPOSITION OF DISTRIBUTIVE FUND INTEREST

Revenues are partially derived from interest on deposits of the various funds under the jurisdiction of DeKalb County Regional Office of Education No. 16. A substantial portion of these interest earnings have been earned on monies which are passed through from the Illinois State Board of Education to the various school districts within the County of DeKalb.

Illinois Compiled Statutes require that interest earned by a public agency on investments of funds held for, but owned by, another public agency shall be credited to the public agency for which the investment is made; i.e. the owner of the funds.

Per an intergovernmental agreement between DeKalb County Regional Office of Education No. 16 and the school districts, 80% of distributive fund interest earned is remitted to the school districts and 20% is retained by DeKalb County Regional Office of Education No. 16.

NOTE 4 - ON-BEHALF PAYMENTS

Salaries of the Regional Superintendent and his first assistant are paid by the State of Illinois. All other salaries are paid by DeKalb County. Pension plan contributions associated with these salaries are also paid, respectively, by the State of Illinois and DeKalb County.

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

Regional Superintendent - salary	\$ 84,737
Regional Superintendent - benefits (includes state paid insurance)	18,962
Assistant Regional Superintendent - salary	72,797
Assistant Regional Superintendent - benefits (includes state paid insurance)	<u>17,630</u>
Total State of Illinois on-behalf payments	<u>194,126</u>
County employees - salaries	33,446
County employees - benefits	<u>9,484</u>
Total DeKalb County on-behalf payments	<u>42,930</u>
Total on-behalf payments	<u>\$ 237,056</u>

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education. Salary and benefit data for the County employees was calculated based on data provided by the DeKalb County Regional Office of Education No. 16.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 5 - DUE TO/FROM OTHER GOVERNMENTAL AGENCIES

The DeKalb County Regional Office of Education No. 16's Agency Fund has funds due to various other governmental units which consist of the following:

Due to Other Governmental Agencies

Other local education agencies	<u>\$ 54,257</u>
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NOTE 6 - RISK MANAGEMENT

DeKalb County Regional Office of Education No. 16 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. DeKalb County Regional Office of Education No. 16 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 7 - NEW PRONOUNCEMENT

DeKalb County Regional Office of Education No. 16 adopted Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk 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 risk.

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

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE 1

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND**

June 30, 2005

	Early Childhood Grant	Regional Safe Schools Grant	General State Aid	Alternative Education	Total
ASSETS					
Cash	\$ 26,697	\$ -	\$ 1,104	\$ -	\$ 27,801
Governmental grants receivable	12,058	-	-	-	12,058
TOTAL ASSETS	\$ 38,755	\$ -	\$ 1,104	\$ -	\$ 39,859
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 31,209	\$ -	\$ 1,104	\$ -	\$ 32,313
Deferred revenue	7,546	-	-	-	7,546
Total liabilities	38,755	-	1,104	-	39,859
FUND BALANCE					
Fund balance, unreserved and undesignated	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 38,755	\$ -	\$ 1,104	\$ -	\$ 39,859

SCHEDULE 2

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2005**

	Early Childhood Grant	Regional Safe Schools Grant	General State Aid	Alternative Education	Total
REVENUES					
Local sources	\$ -	\$ -	\$ 2	\$ -	\$ 2
State sources	84,520	123,738	126,417	133,125	467,800
Federal sources	-	25,000	25,283	-	50,283
Total revenues	<u>84,520</u>	<u>148,738</u>	<u>151,702</u>	<u>133,125</u>	<u>518,085</u>
EXPENDITURES					
Current:					
Education:					
Purchased services	84,520	-	151,702	133,125	369,347
Payments to other governments	-	148,738	-	-	148,738
Total expenditures	<u>84,520</u>	<u>148,738</u>	<u>151,702</u>	<u>133,125</u>	<u>518,085</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-	-
FUND BALANCE, RESERVED, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SCHEDULE 3

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 EARLY CHILDHOOD GRANT
 Year Ended June 30, 2005**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
REVENUES				
State sources	\$ 91,935	\$ 91,935	\$ 84,520	\$ (7,415)
EXPENDITURES				
Current:				
Education:				
Purchased services	91,935	91,935	84,520	7,415
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -	\$ -

SCHEDULE 4

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 REGIONAL SAFE SCHOOLS GRANT
 Year Ended June 30, 2005**

	Budgeted Amounts	Actual	Variance
	Original	Amounts	with
	Final	Final	Budget
REVENUES			
State sources	\$ 123,738	\$ 123,738	\$ -
Federal sources	25,000	25,000	-
Total revenues	148,738	148,738	-
EXPENDITURES			
Current:			
Education:			
Payments to other governments	148,738	148,738	-
EXCESS OF REVENUES	-	-	-
OVER EXPENDITURES	-	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -

SCHEDULE 5

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 ALTERNATIVE EDUCATION
 Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
REVENUES				
State sources	\$ 133,125	\$ 133,125	\$ 133,125	\$ -
EXPENDITURES				
Current:				
Education:				
Salaries	91,000	-	-	-
Benefits	25,025	-	-	-
Purchased services	16,600	129,825	133,125	(3,300)
Supplies and materials	500	3,300	-	3,300
Total expenditures	<u>133,125</u>	<u>133,125</u>	<u>133,125</u>	<u>-</u>
EXCESS OF REVENUES				
OVER EXPENDITURES	-	-	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2005

	<u>Bus Permit</u>	<u>Supervisory</u>	<u>Total</u>
ASSETS			
Cash	\$ 1,756	\$ 1,577	\$ 3,333
LIABILITIES AND FUND BALANCES			
LIABILITIES			
None	\$ -	\$ -	\$ -
FUND BALANCES			
Unreserved	1,756	1,577	3,333
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,756</u>	<u>\$ 1,577</u>	<u>\$ 3,333</u>

SCHEDULE 7

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended June 30, 2005

	Bus Permit	Supervisory	Total
REVENUES			
Local sources	\$ 1,377	\$ 4	\$ 1,381
State sources	960	1,000	1,960
Total revenues	2,337	1,004	3,341
EXPENDITURES			
Current:			
Education:			
Purchased services	2,340	210	2,550
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3)	794	791
FUND BALANCE, BEGINNING OF YEAR	1,759	783	2,542
FUND BALANCE, END OF YEAR	\$ 1,756	\$ 1,577	\$ 3,333

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2005**

	<u>Distributive</u>	<u>Scholarship</u>	<u>Board of Trustees</u>	<u>Outreach Workers</u>	<u>Total</u>
ASSETS					
Cash	\$ 43,476	\$ 2,057	\$ 136	\$ 10,645	\$ 56,314
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Due to future scholarships	\$ -	\$ 2,057	\$ -	\$ -	\$ 2,057
Due to other governmental agencies	43,476	-	136	10,645	54,257
Total liabilities	43,476	2,057	136	10,645	56,314
FUND BALANCE, UNRESERVED	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCE, UNRESERVED	\$ 43,476	\$ 2,057	\$ 136	\$ 10,645	\$ 56,314

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
COMBINING STATEMENT OF CHANGES - ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2005

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
<u>Distributive</u>				
ASSETS				
Cash	\$ 50,443	\$ 490,439	\$ 497,406	\$ 43,476
LIABILITIES				
Due to others	\$ 59	\$ -	\$ 59	\$ -
Due to other governmental agencies	50,384	490,439	497,347	43,476
TOTAL LIABILITIES	<u>\$ 50,443</u>	<u>\$ 490,439</u>	<u>\$ 497,406</u>	<u>\$ 43,476</u>
<u>Scholarship</u>				
ASSETS				
Cash	\$ 2,051	\$ 6	\$ -	\$ 2,057
LIABILITIES				
Due to future scholarships	\$ 2,051	\$ 6	\$ -	\$ 2,057
<u>Board of Trustees</u>				
ASSETS				
Cash	\$ 510	\$ 188	\$ 562	\$ 136
LIABILITIES				
Due to other governmental agencies	\$ 510	\$ 188	\$ 562	\$ 136

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
COMBINING STATEMENT OF CHANGES - ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2005**

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
<u>Outreach Workers</u>				
ASSETS				
Cash	<u>\$ 10,608</u>	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ 10,645</u>
LIABILITIES				
Due to other governmental agencies	<u>\$ 10,608</u>	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ 10,645</u>
 <u>Totals</u>				
ASSETS				
Cash	<u>\$ 63,612</u>	<u>\$ 490,670</u>	<u>\$ 497,968</u>	<u>\$ 56,314</u>
LIABILITIES				
Due to future scholarships	\$ 2,051	\$ 6	\$ -	\$ 2,057
Due to others	59	-	59	-
Due to other governmental agencies	<u>61,502</u>	<u>490,664</u>	<u>497,909</u>	<u>54,257</u>
TOTAL LIABILITIES	<u>\$ 63,612</u>	<u>\$ 490,670</u>	<u>\$ 497,968</u>	<u>\$ 56,314</u>

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SCHEDULE OF DISBURSEMENTS TO OTHER ENTITIES - DISTRIBUTIVE FUND
June 30, 2005

	K.E.C.
Career and Technical Ed Improvement	\$ 364,828
Agriculture Education	11,954
V.E. Perkins Title IIC - Secondary	115,800
TOTAL	\$ 492,582

SCHEDULE 11

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

<u>Federal Grantor/Pass- Through Grantor, Program Title & Major Program Designation</u>	<u>CFDA Number</u>	<u>Project Number (1st 8 digits) or Contract #</u>	<u>Federal Expenditures</u>		<u>Oblig./ Encumb.</u>	<u>Final Status</u>
			<u>7/1/04 -</u>	<u>6/30/2005</u>		
U.S. Dept. of Health and Human Services passed through Illinois State Board of Education:						
(M) Regional Safe Schools Grant (TANF)	93.558	05-3696-00	\$ 25,000	\$	-	\$ 25,000
(M) Regional Safe Schools Grant - General State Aid (TANF)	93.558	05-3001-93	25,283		-	25,283
Total passed through Illinois State Board of Education			50,283		-	50,283
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 50,283</u>	<u>\$</u>	<u>-</u>	<u>\$ 50,283</u>

(M) Program was audited as a major program

The accompanying notes are an integral part of this schedule.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
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 the DeKalb County Regional Office of Education No. 16 and is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 - SUBRECIPIENTS

Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, DeKalb County Regional Office of Education No. 16 provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA#</u>	<u>Amount Provided To Subrecipients</u>
Regional Safe Schools Grant	93.558	\$ <u>50,283</u>

NOTE 3 - DESCRIPTION OF MAJOR FEDERAL PROGRAMS

The Regional Safe Schools Grant and Regional Safe Schools - General State Aid are to account for grant monies received for, and payment of, expenses related to providing alternative schools in the region.

NOTE 4 - NON-CASH ASSISTANCE

N/A

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.