

State of Illinois
REGIONAL OFFICE OF EDUCATION #1
FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
FOR THE YEAR ENDED JUNE 30, 2006

Performed as Special Assistant Auditors
for the Office of the Auditor General

REGIONAL OFFICE OF EDUCATION #1

TABLE OF CONTENTS

Agency Officials	1
Compliance Report Summary	2
Financial Statement Report Summary	3
Independent Auditor's Report	4 - 5
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 - 7
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	8 - 9
Summary of Auditor's Results	10
Audit Findings	11 - 19
Corrective Action Plan for Current Year Findings	20 - 22
Summary Schedule of Prior Audit Findings	23
Management's Discussion and Analysis	24 - 28
Statement of Net Assets	29
Statement of Activities	30
Balance Sheet – Governmental Funds	31
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	32
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	33
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities Governmental Funds	34
Statement of Fiduciary Net Assets	35
Notes to Financial Statements	36 - 48
Required Supplemental Information (Other than Management's Discussion and Analysis)	
Schedule of Funding Progress - IMRF	49
Supplemental Information	
Combining Schedule of Accounts – Education Fund	50 - 53
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Education Fund Accounts	54 - 57
Budgetary Comparison Schedule – Education Fund Accounts	58 - 61
Combining Balance Sheet – Nonmajor Special Revenue Funds	62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	63
Statement of Changes in Assets and Liabilities – Agency Fund	64
Schedule of Disbursements to School District Treasurers and Other Entities	65
Schedule of Expenditures of Federal Awards	66
Notes to the Schedule of Expenditures of Federal Awards	67

REGIONAL OFFICE OF EDUCATION #1

OFFICIALS

Regional Superintendent

Mr. Raymond Scheiter

(Current and during audit period)

Assistant Regional Superintendent

Mr. Wilfred Flesner

(Current and during audit period)

Offices are Located at:

Adams County Courthouse
507 Vermont Street
Quincy, IL 62301

and

121 East Washington
Pittsfield, IL 62363

REGIONAL OFFICE OF EDUCATION #1

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 control 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	5	5
Repeated audit findings	5	2
Prior recommendations implemented or not repeated	0	3

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)		
06-1	11	Transactions of two entities are recorded on one accounting system
06-2	12 - 13	Some programs did not disburse excess grant funds and interest income
06-3	14	Bank accounts were not properly reconciled for the fiscal year 2006
06-4	15 - 17	Noncompliance with state mandates
06-5	18	Expenditure reports did not agree to general ledger
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)		
06-2	19	Some programs did not disburse excess grant funds and interest income
06-5	19	Expenditure reports did not agree to general ledger
PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)		
None		

EXIT CONFERENCE

An informal exit conference was held on September 20, 2006. Attending were Raymond Scheiter, Regional Superintendent of Schools, Wilfred Flesner, Assistant Regional Superintendent, and Shawn Williamson of Fick, Eggemeyer & Williamson, CPA's. Responses to the recommendations were provided by Ken Flesner in a letter on September 21, 2006.

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of the Regional Office of Education #1 was performed by Fick, Eggemeyer & Williamson, CPA's.

Based on their audit, the auditors expressed an unqualified opinion on the Regional Office of Education #1's basic financial statements.



**Fick, Eggemeyer
& Williamson**
Certified Public Accountants, PC



INDEPENDENT AUDITOR'S REPORT

The 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 Regional Office of Education #1, as of and for the year ended June 30, 2006, which collectively comprise the Regional Office of Education #1's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Regional Office of Education #1'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 Regional Office of Education #1, as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 21, 2006 on our consideration of the Regional Office of Education #1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 24-28 and 49, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional Office of Education #1's basic financial statements. 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 *Guidelines to Auditing and Reporting for a Regional Office of Education*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Fick, Eggemeyer & Williamson

Fick, Eggemeyer, & Williamson, CPA's
September 21, 2006



**Fick, Eggmeyer
& Williamson**

Certified Public Accountants, PC



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*

The 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 Regional Office of Education #1, as of and for the year ended June 30, 2006, which collectively comprise the Regional Office of Education #1's basic financial statements and have issued our report thereon dated September 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Regional Office of Education #1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Regional Office of Education #1's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06-1 and 06-3.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regional Office of Education #1'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 06-2 and 06-5. We also noted certain immaterial instances of noncompliance which we reported on the accompanying Schedule of Findings and Questioned Costs as item 06-4.

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.

Fick, Eggemeyer & Williamson

Fick, Eggemeyer, & Williamson, CPA's
September 21, 2006



Fick, Eggemeyer & Williamson

Certified Public Accountants, PC



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 Regional Office of Education #1 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, 2006. The Regional Office of Education #1's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Regional Office of Education #1's management. Our responsibility is to express an opinion on the Regional Office of Education #1's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 criteria as required by the *Guidelines to Auditing and Reporting for a Regional Office of Education*. Those standards and criteria require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Regional Office of Education #1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Regional Office of Education #1's compliance with those requirements.

In our opinion, the Regional Office of Education #1 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, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 criteria as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*, which are described in the accompanying Schedule of Findings and Questioned Costs as items 06-2 and 06-5.

Internal Control Over Compliance

The management of the Regional Office of Education #1 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Regional Office of Education #1's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 criteria as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*.

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

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

Fick, Eggemeyer & Williamson

Fick, Eggemeyer, & Williamson, CPA's
September 21, 2006

REGIONAL OFFICE OF EDUCATION #1
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified _____ Yes X No

Reportable conditions identified that are not considered to be material weaknesses _____ X Yes _____ No

Noncompliance material to financial statements noted? _____ X Yes _____ No

Federal Awards

Internal control over major programs:

Material weaknesses identified? _____ Yes X No

Reportable conditions identified that are not considered to be material weaknesses _____ Yes X No

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) _____ X Yes _____ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
--------------	------------------------------------

84.181	Special Education Grants Infants / Toddlers
--------	---------------------------------------------

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

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

REGIONAL OFFICE OF EDUCATION #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006

Section II - Financial Statement Findings

FINDING NO. 06-1
Repeated from 05-1, 04-1, 03-4

TRANSACTIONS OF TWO ENTITIES ARE RECORDED IN ONE ACCOUNTING SYSTEM

Criteria/Specified Requirement:

According to governmental accounting standards, transactions of two separate primary government units should not be co-mingled in one general ledger system. According to GASB 14, a special purpose government is a primary government if it has the following three characteristics: a separately elected governing board, fiscal independence, and status as a separate legal entity.

Condition:

During the past fiscal year, the Regional Office of Education #1 recorded all revenue and expense transactions of the West Central Regional System #240 (WCR) in its general ledger system. The WCR has a separately elected board. It is a legally separate entity, and it is fiscally independent. The WCR administers vocational education services for the region, and Regional Office of Education #1 acts as a fiscal agent for the WCR. At June 30, 2006 the Regional Office of Education #1 had errantly deposited \$22,640 of its cash into the WCR bank account.

Effect:

Transactions of the WCR appear in the reports of the ROE. Also, if the errant deposit had not been identified, the Regional Office may have failed to recoup \$22,640 of funding.

Cause:

Rather than maintaining a separate general ledger system for the WCR, the Regional Office of Education was treating the WCR as a special revenue fund of the Regional Office of Education #1.

Recommendation:

The Regional Office of Education #1 should create a separate set of records in order to eliminate the co-mingling of the Regional Office of Education #1 and WCR accounting activity. The Regional Office of Education #1 should also make an increased effort to deposit funds into the correct entity bank accounts.

Management's Response:

Management of the Regional Office of Education #1 agrees with the finding. The Regional Office of Education has implemented a new general ledger system for fiscal year 2007 in order to separately record transactions of the West Central Regional System #240.

Auditor Comment:

This finding has existed since 2003. Although each year the Regional Office has responded in the past that corrective action will be taken, commingling of funds has continued to occur.

REGIONAL OFFICE OF EDUCATION #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006

Section II - Financial Statement Findings

FINDING NO. 06-2
Repeated from 05-2, 04-3, 03-6

SOME PROGRAMS DID NOT DISBURSE EXCESS GRANT FUNDS AND INTEREST INCOME

Federal Programs	Title I - Reading First, Learn and Serve America, Standards Aligned Classrooms
Contract No./Project No.	2005-4337-02, 2006-4910-00, 2006-4999-00
CFDA No.	84.357A, 94.004, 84.289
Passed Through	Illinois State Board of Education
Federal Agency	U.S. Department of Education

Criteria/Specified Requirement:

The Illinois Grant Funds Recovery Act (30 ILCS 705/5) requires that all grant funds that have not been expended or obligated by the end of the grant period be returned to the granting agency within 45 days after the end of the period. The Act (30 ILCS 705/10) also states that all interest earned on grant funds held by a grantee shall become part of the grant principal when earned and be treated accordingly for all purposes unless the grant agreement provides otherwise. In addition, the *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (34 Code of Federal Regulations Part 80.21) requires that interest earned on federal fund balances in excess of \$100 be remitted back to the federal granting agency.

Condition:

Truants Alternative Program and Standards Aligned Classrooms had excess cash balance in the amounts of \$2,350 and \$38,867, respectively, at June 30, 2006 that had not been obligated and the balances were not returned to the granting agencies by August 15, 2006 as specified in the grant agreements.

In addition, at June 30, 2006 the Regional Office of Education #1 had interest income earned from federal funding in excess of \$100 that was due back to the grantor agency for the following programs:

- Title I – Reading First - \$348
- Learn and Serve America - \$121
- Standards Aligned Classrooms - \$1,694

Questioned Costs:

\$41,030

Context:

NA

Effect:

Noncompliance with the Illinois Grant Funds Recovery Act and the *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (34 Code of Federal Regulations Part 80.21).

Cause:

The Regional Office of Education #1 was uncertain of the amounts due back to the granting agency.

REGIONAL OFFICE OF EDUCATION #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006

Section II - Financial Statement Findings

FINDING NO. 06-2 (continued)
Repeated from 05-2, 04-3, 03-6

Recommendation:

The Regional Office of Education #1 should return any unspent grant funds to the granting agency. In addition, the Regional Office of Education #1 should remit interest income earned from federal funding in excess of \$100 to the related granting agencies.

Management's Response:

Management of the Regional Office of Education #1 agrees with the finding. The number of programs with excess grant funds was reduced from seven in fiscal 2005 to two in fiscal 2006. The Regional Office of Education plans to obtain, from bookkeeping, accurate reconciled reports, at least annually, which consider: beginning fiscal year cash balances, current fiscal year grant income, current fiscal year program expenses, current fiscal year interest allocated to programs, and year end cash balances by program. Furthermore, granting agencies will be notified of any excess grant funds, according to State forms, at period end.

REGIONAL OFFICE OF EDUCATION #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006

Section II - Financial Statement Findings

FINDING NO. 06-3
Repeated from 05-3, 03-3, 02-3

BANK ACCOUNTS WERE NOT PROPERLY RECONCILED FOR FISCAL YEAR 2006

Criteria/Specified Requirement:

Sound internal control requires bank reconciliations to be performed to ensure that all transactions have been recorded. The bank reconciliation process should include identifying and correcting all discrepancies between the bank records and the books on a regular basis.

Condition:

Eleven of the twelve monthly reconciliations (July 2005 through May 2006) for the projects account did not reconcile. For example, the March reconciliation discrepancy was \$25,564, the April discrepancy was \$23,704, and the May discrepancy was \$18,037. The bank account was reconciled for June 2006.

Effect:

The effect of not properly performing reconciliations was to carry an incorrect cash balance on the books of the ROE for nearly the entire fiscal year. Also, not identifying and addressing unrecorded items negates the effectiveness of this important internal control.

Cause:

The Regional Office of Education #1 did not properly identify and correct cash discrepancies on a monthly basis as part of the bank statement reconciliation process.

Recommendation:

The Regional Office of Education #1 should reconcile all bank statements every month and correct any discovered discrepancies in a timely manner.

Management's Response:

Management of the Regional Office of Education #1 agrees with the finding. The Regional Office of Education #1 plans to perform a monthly reconciliation of all bank accounts and correct any discovered discrepancies in a timely manner.

REGIONAL OFFICE OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006

Section II - Financial Statement Findings

FINDING NO. 06-4
Repeated from 05-4

NONCOMPLIANCE WITH STATE MANDATES

Criteria/Specified Requirements:

A) 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.)

B) The Illinois School Code 105 ILCS 5/3-14.17 requires the Regional Superintendent to notify the presidents of the boards of trustees and the clerks and secretaries of school districts, on or before September 30, annually, of the amount of money distributed by him to the school district.

C) The Illinois School Code 105 ILCS 5/3-5 states that the county superintendent shall present under oath or affirmation to the county board at its meeting in September and as nearly quarterly thereafter as it may have regular or special meetings, a report of all his acts as county superintendent, including a list of all the schools visited with the dates of visitation. (This mandate has existed in its current form since at least 1953.)

D) The Illinois School Code 105 ILCS 5/3-14.5 requires the Regional Superintendent to visit each public school in the county at least once a year, noting the methods of instruction, the branches taught, the text-books used, and the discipline, government and general condition of the schools. (This mandate has existed in its current form since at least 1953.)

E) The Illinois School Code 105 ILCS 5/3-7 states that each school district shall, as of June 30 each year, cause an audit to be made of its accounts. Each school district shall on or before October 15 of each year, submit an original and one copy of such audit to the Regional Superintendent of Schools. If any school district fails to supply the Regional Superintendent of Schools with a copy of such audit report on or before October 15, or within such time extended by the Regional Superintendent of Schools from that date, not to exceed 60 days, then it shall be the responsibility of the Regional Superintendent of Schools to cause such audit to be made.

Conditions:

A) The Regional Office of Education #1 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 has been examining school district financial statements on an annual basis.

REGIONAL OFFICE OF EDUCATION #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006

Section II - Financial Statement Findings

FINDING NO. 06-4 (Continued)
Repeated from 05-4

B) The Regional Office of Education #1 did not notify the presidents of the boards of trustees and the clerks and secretaries of school districts, on or before September 30, 2005, of the dates of distribution or amounts of money distributed by him to the school districts.

C) The Regional Office of Education #1 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all his acts, including a list of all the schools visited and dates of visitation. The Regional Superintendent did attend a September board meeting and issue a report to the board, however, the report did not include a list of all the schools visited and dates of visitation.

D) The Regional Office of Education #1 performs compliance inspections for each public school in his region every year. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district. Also, the Regional Office of Education #1 performed compliance inspections for the 2005/2006 school year in September 2006. No compliance inspections were performed during the period July 2005 through June 2006.

E) The Regional Office of Education #1 was unable to supply evidence that 8 of the 10 district financial statement audit reports were submitted to the ROE by October 15, 2005 or by the extension date.

Effects:

The Regional Office of Education #1 did not comply with statutory requirements.

Causes:

A) The level of financial review performed by the Regional Superintendent is not adequate to comply with the statute.

B) The Regional Office of Education #1 has a policy of only preparing and submitting distribution reports to the districts upon request of the districts' external auditors.

C) The Regional Superintendent does present an annual report to the county board, but the Superintendent was unaware of the specific details required to be included in the report.

D) The Regional Superintendent stated that the periodic compliance visits completed at the public schools were sufficient to satisfy the statutory requirement. Also, according to the Assistant Regional Superintendent, the compliance visits were late because several of the district superintendents requested to have their compliance visits postponed.

E) The Regional Office of Education #1 does not maintain a log evidencing the receipt of the audits from the school districts and has no system for monitoring whether or not copies of audits are on hand.

REGIONAL OFFICE OF EDUCATION #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006

Section II - Financial Statement Findings

FINDING NO. 06-4 (Continued)
Repeated from 05-4

Recommendations:

- A) The Regional Office of Education #1 should comply with the requirements of 105 ILCS 5/3-14.11.
- B) The Regional Office of Education #1 should forward the necessary financial information as required by Illinois Statute to the proper entities prior to September 30 of each year. The Regional Office of Education #1 should comply with the reporting requirements and deadlines and maintain evidence to support the submission of required information.
- C) The Regional Superintendent should provide detail of the districts visited and dates of visitation in his annual report to the county board and attend quarterly meetings thereafter as required by 105 ILCS 5/3-5.
- D) The Regional Superintendent should visit each public school annually to review all items required by 105 ILCS 5/3-14.5.
- E) The Regional Office of Education #1 should maintain a log evidencing the receipt of the audits from the school districts and should implement a system for monitoring whether or not copies of audits are on hand as required by 105 ILCS 5/3-7.

If the Regional Office believes any of these mandates are obsolete or otherwise unnecessary, then it should seek legislative action to revise the statutes accordingly.

Management's Response:

- A) The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 5/3-7 of the Illinois School Code is a more current, thorough, and comprehensive requirement concerning a public school district's financial transactions. As a result, the two parties working together will seek legislation to repeal section 5/3-14.11 of the Illinois School Code.
- B) The Regional Office of Education #1 intends to start sending the distribution report to every district each year by September 30.
- C) The Regional Superintendent did present an annual report to the county board, however, it did not identify the districts visited or dates of visitation. These details will be included in future reports.
- D) The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 1.20 of the 23rd Illinois Administrative Code is a more current, thorough, and comprehensive requirement concerning visitation of public schools by the Regional Superintendent. As a result, the two parties working together will seek legislation to repeal section 5/3-14.5 of the Illinois School Code.
- E) The Regional Office of Education #1 agrees with the finding and will begin a log evidencing the receipt of the audits from the school districts and implement a system for monitoring whether or not copies of audits are on hand.

REGIONAL OFFICE OF EDUCATION #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006

Section II - Financial Statement Findings

FINDING NO. 06-5
Repeated from 05-5

EXPENDITURE REPORTS DID NOT AGREE TO GENERAL LEDGER

Federal Programs	Special Education Grants Infants / Toddlers, Learn and Serve America
Contract No./Project No.	11G5011000, 2006-4910-00
CFDA No.	84.181, 94.004
Passed Through	Illinois Department of Human Services, Illinois State Board of Education
Federal Agency	U.S. Department of Health and Human Services, U.S. Department of Education

Criteria/Specified Requirement:

Expenditure reports for education programs submitted to the Illinois State Board of Education and Illinois Department of Human Services should agree with the expenditures reported on the Regional Office of Education #1's general ledger.

Condition:

A comparison of expenditure reports to the Regional Office of Education #1's general ledger revealed instances where the totals on the final 2006 expenditure report did not agree with the Regional Office of Education #1's general ledger. The expenditure report submitted to the Illinois State Board of Education for the Bilingual Education program reported total expenditures of \$9,974, while the general ledger showed expenditures of \$7,257 (a \$2,717 difference). For fiscal year 2006, no expenditure report was submitted for Learn and Serve America, while there was actually \$1,168 of 2006 grant expenditures. The expenditure report submitted to the Illinois Department of Human Services for the Early Intervention – Child and Family Connections program reported expenditures of \$357,706, while the general ledger showed expenditures of \$347,632 (a \$10,074 difference).

Questioned Costs:

NA

Context:

NA

Effect:

Inaccurate expenditure reports were submitted which could result in inaccurate reimbursements.

Cause:

The Regional Office of Education #1 personnel responsible for expenditure report preparation used numbers that were not yet adjusted for bank reconciliation differences or accounts payable items.

Recommendation:

The Regional Office of Education #1 personnel responsible for preparing the expenditure reports should use expenditures per the general ledger accounts after all adjustments have been made and make necessary corrections to the final reports.

Management's Response:

Management of the Regional Office of Education #1 agrees with the finding. Two people will check the final general ledger numbers against all expenditure report line items to make sure they match before they are submitted to the Illinois State Board of Education or the Illinois Department of Human Services.

REGIONAL OFFICE OF EDUCATION #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006

Section III: Federal Award Findings:

Findings and questioned costs for federal awards:

INSTANCES OF NONCOMPLIANCE:

1. FINDING 06-2 SOME PROGRAMS DID NOT DISBURSE EXCESS GRANT FUNDS AND INTEREST INCOME
(finding details on pages 12 and 13.)
2. FINDING 06-5 EXPENDITURE REPORTS DID NOT AGREE TO GENERAL LEDGER
(finding details on page 18.)

REPORTABLE CONDITIONS:

None

REGIONAL OFFICE OF EDUCATION #1
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
June 30, 2006

Corrective Action Plan

Finding No. 06-1

Condition: During the past fiscal year, the Regional Office of Education #1 recorded all revenue and expense transactions of the West Central Regional System #240 (WCR) in its general ledger system. The WCR has a separately elected board. It is a legally separate entity, and it is fiscally independent. The WCR administers vocational education services for the region, and Regional Office of Education #1 acts as a fiscal agent for the WCR. At June 30, 2006 the Regional Office of Education #1 had errantly deposited \$22,640 of its cash into the WCR bank account.

Plan: At the beginning of fiscal year 2007, the Regional Office of Education created a new ledger system in order to separately record transactions of the WCR.

Anticipated Completion Date: July 2006

Contact Name: Regional Superintendent Raymond Scheiter

Corrective Action Plan

Finding No. 06-2

Condition: Truants Alternative Program and Standards Aligned Classrooms had excess cash balance in the amounts of \$2,350 and \$38,867, respectively, at June 30, 2006 that had not been obligated and the balances were not returned to the granting agencies by August 15, 2006 as specified in the grant agreements.

In addition, at June 30, 2006 the Regional Office of Education #1 had interest income earned from federal funding in excess of \$100 that was due back to the grantor agency for the following programs:

- Title I – Reading First - \$348
- Learn and Serve America - \$121
- Standard Aligned Classroom - \$1,694

Plan: The Regional Office of Education plans to obtain, from bookkeeping, accurate reconciled reports, at least annually, which consider: beginning fiscal year cash balances, current fiscal year grant income, current fiscal year program expenses, current fiscal year interest allocated to programs, and year end cash balances by program. Furthermore, granting agencies will be notified of any excess grant funds, according to State forms, at period end. Excess funds with no activity during the previous two fiscal years will be consolidated.

Anticipated Completion Date: November 2006

Contact Name: Regional Superintendent Raymond Scheiter

REGIONAL OFFICE OF EDUCATION #1
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
June 30, 2006

Corrective Action Plan

Finding No. 06-3

Condition: Eleven of the twelve monthly reconciliations (July 2005 through May 2006) for the projects account did not reconcile. For example, the March reconciliation discrepancy was \$25,564, the April discrepancy was \$23,704, and the May discrepancy was \$18,037. The bank account was reconciled for June 2006.

Plan: The Regional Office of Education #1 plans to perform a monthly reconciliation of all bank accounts and correct any discovered discrepancies in a timely manner.

Anticipated Completion Date: October 2006

Contact Name: Regional Superintendent Raymond Scheiter

Corrective Action Plan

Finding No. 06-4

Condition: A) The Regional Office of Education #1 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 has been examining school district financial statements on an annual basis.

B) The Regional Office of Education #1 did not notify the presidents of the boards of trustees and the clerks and secretaries of school districts, on or before September 30, 2005, of the dates of distribution or amounts of money distributed by him to the school districts.

C) The Regional Office of Education #1 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all his acts, including a list of all the schools visited and dates of visitation. The Regional Superintendent did attend a September board meeting and issue a report to the board, however, the report did not include a list of all the schools visited and dates of visitation.

D) The Regional Office of education #1 performs compliance inspection for each public school in his Region every year. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district. Also, the Regional Office of Education #1 performed compliance inspections for the 2005/2006 school year in September 2006. No compliance inspections were performed during the period July 2005 through June 2006.

E) The Regional Office of Education #1 was unable to supply evidence that 8 of the 10 district financial statement audit reports were submitted to the ROE by October 15, 2005 or by the extension date.

REGIONAL OFFICE OF EDUCATION #1
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
June 30, 2006

Corrective Action Plan

Finding No. 06-4

(Continued)

- Plan:
- A) The Regional Office of Education will seek legislative solution to this and other obsolete passages.
 - B) The Regional Office of Education #1 intends to start sending the distribution report to every district each year by September 30.
 - C) The Regional Superintendent did present an annual report to the county board, however, it did not identify the districts visited or dates of visitation. These details will be included in future reports.
 - D) The Regional Office of Education #1 agrees with the finding and will attempt to visit each public school annually to review all items noted in the statute as required by 105 ILCS 5/3-14.5.
 - E) The Regional Office of Education #1 agrees with the finding and will begin a log evidencing the receipt of the audits from the school districts and implement a system for monitoring whether or not copies of audits are on hand.

Anticipated Completion Date: June 2007

Contact Name: Regional Superintendent Raymond Scheiter

Corrective Action Plan

Finding No. 06-5

Condition: A comparison of expenditure reports to the Regional Office of Education #1's general ledger revealed instances where the totals on the final 2006 expenditure report did not agree with the Regional Office of Education #1's general ledger. The expenditure report submitted to the Illinois State Board of Education for the Bilingual Education program reported total expenditures of \$9,974, while the general ledger showed expenditures of \$7,257 (a \$2,717 difference). For fiscal year 2006, no expenditure report was submitted for Learn and Serve America, while there was actually \$1,168 of 2006 grant expenditures. The expenditure report submitted to the Illinois Department of Human Services for the Early Intervention – Child and Family Connections program reported expenditures of \$357,706, while the general ledger showed expenditures of \$347,632 (a \$10,074 difference).

Plan: Two people will check the final general ledger numbers against all expenditure report line items to make sure they match before they are submitted to the Illinois State Board of Education or the Illinois Department of Human Services.

Anticipated Completion Date: June 2007

Contact Name: Regional Superintendent Raymond Scheiter

REGIONAL OFFICE OF EDUCATION #1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2006

<u>Prior Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
05-1	Transactions of two entities are recorded in one accounting system.	Repeated as 06-1.
05-2	Some programs did not disburse excess grant funds.	Repeated as 06-2.
05-3	Bank accounts were not properly reconciled.	Repeated as 06-3.
05-4	Noncompliance with state mandates.	Repeated as 06-4.
05-5	Expenditure reports did not agree to general ledger.	Repeated as 06-5.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Regional Office of Education #1 (ROE) 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, 2006. We encourage readers to consider this information in conjunction with the ROE's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$446,299 in fiscal year 2005 (FY05) to \$443,769 in fiscal year 2006 (FY06), while General Fund expenditures increased from \$426,338 in FY05 to \$437,819 in FY06. This resulted in an increase in the ROE's General Fund balance from \$147,306 in FY05 to \$153,256 in FY06, a 4% increase from the prior year.
- Education Fund revenues increased from \$1,048,648 in fiscal year 2005 (FY05) to \$1,062,757 in fiscal year 2006 (FY06), while Education Fund expenditures increased from \$1,012,285 in FY05 to \$1,045,189 in FY06. This resulted in an increase in the Education Fund balance from \$379,452 in FY05 to \$382,894 in FY06 (less a transfer of \$14,126), a 1% increase from the prior year.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the ROE's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. Those provide information about the activities of the ROE as a whole and present an overall view of the ROE's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the ROE's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the ROE's budget for the year, and Supplementary Information provides detailed information about the nonmajor funds.

REPORTING THE AGENCY AS WHOLE

The Statement of Net Assets and the Statement of Activities

The Government-wide statements report information about the ROE as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all the ROE's assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the ROE's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the ROE's overall health, additional non-financial factors, such as change in the ROE's responsibilities and staffing, need to be considered.

In the Government-wide financial statements, the ROE's activities are reported as:

- *Governmental activities:* All of the ROE's services are included here, such as Regional Safe Schools instruction, drug prevention education, instructional staff support services and administration. Federal and State grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide detailed information about the ROE's funds, focusing on its most significant or "major" funds – not the ROE as a whole. Funds are accounting devices the ROE uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law. The ROE established other funds to control and manage money for particular purposes, such as accounting for State and federal grants.

The ROE has two kinds of funds:

- 1) Governmental funds account for all of the ROE's services. These focus on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the ROE's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information immediately following each of the governmental fund statements explains the relationship or difference between the two statements. The ROE's governmental funds include: 1) the General Fund, and 2) the Special Revenue funds.
- 2) Fiduciary funds account for funds received from the State Board of Education and distributed to school districts and other organizations in the region.

A summary reconciliation between the Government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The ROE's net assets at the end of fiscal year 2006 totaled \$696,369. This is compared to \$667,688 at the end of fiscal year 2005. The analysis that follows provides a summary of the ROE's net assets at June 30, 2006 & 2005 for governmental activities.

		Condensed Statement of Net Assets	
		Governmental Activities	
		<u>2006</u>	<u>2005</u>
Current and other assets		\$658,984	\$691,483
Capital Assets		43,120	57,707
	Total assets	<u>702,104</u>	<u>749,190</u>
Other liabilities		5,735	81,502
	Total liabilities	<u>5,735</u>	<u>81,502</u>
Net assets:			
Invested in capital assets		43,120	57,707
Unrestricted		617,910	574,735
Restricted for teacher professional development		35,339	35,246
	Total net assets	<u>\$696,369</u>	<u>\$667,688</u>

The ROE's combined net assets increased by \$28,681 from FY05. The increase occurred primarily in the governmental funds as a result of decreasing expenditures by a greater amount than the decrease in revenues during the year ended June 30, 2006. In addition, net assets related to the Teacher Institute Fund are considered restricted for teacher professional development.

The following analysis shows the changes in net assets for the year ended June 30, 2006 & 2005.

		Change in Net Assets	
		Governmental Activities	
		<u>2006</u>	<u>2005</u>
Revenues:			
Program revenues:			
Operating grants and contributions	\$	1,041,199	\$ 1,007,435
Capital grants and contributions		0	25,753
General revenues:			
Registration, certification & permit fees		105,272	58,450
Member dues		3,611	3,656
Local sources		177,908	161,155
State sources		117,992	122,545
On-behalf payments		204,483	206,939
Interest income		23,929	7,719
	Total Revenues	<u>1,674,394</u>	<u>1,593,652</u>
Program expenses			
Instructional services		1,441,230	1,302,457
Administrative expenses			
On-behalf payments - state		204,483	206,939
	Total Expenses	<u>1,645,713</u>	<u>1,509,396</u>
Change in net assets		28,681	84,256
Net assets beginning of year		667,688	583,432
Net assets end of year	\$	<u>696,369</u>	<u>667,688</u>

Operating grants and contributions from local, state and federal sources account for 62.2% of the total revenue. The ROE's expenses primarily relate to instructional services, which account for 87.6% of the total expenses.

Governmental activities

Revenues from governmental activities were \$1,674,394 and expenses were \$1,645,713. In a difficult budget year, the ROE was able to keep expenditures below revenue to yield an increase in net assets.

FINANCIAL ANALYSIS OF THE ROE'S FUNDS

As previously noted, the Regional Office of Education #1 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The ROE's governmental funds reported combined fund balances of \$653,249, above last year's ending fund balances of \$609,981. The primary reason for the increase in combined fund balances in FY06 was reduced expenses.

Governmental Fund Highlights

- The ROE's increasing General Fund position is the product of many factors, including a decrease in expenditures for services to school districts. Grant revenues decreased, and expenditures increased for the fiscal year. However, those expenditures did not exceed the revenue, so an increase in the general fund balance was realized.
- Some factors causing a decline in services provided by the ROE are increases in expenses related to GED testing, staff cutbacks due to grant reductions and increased responsibility for certificate registration and student attendance.

BUDGETARY HIGHLIGHTS

The ROE was not required to adopt annual budgets for all funds under its control and is not legally required to do so. The ROE submits its budget to the State Board of Education and all other grantors that require it. The budgets may be amended during the year utilizing procedures prescribed by the particular grantor. Over the course of the year, the ROE amended certain operating budgets to reflect additional revenue and expenditures associated with the additional services needed and provided. Budgetary comparison schedules are provided in the financial statements on pages 58-61.

CAPITAL ASSETS

At June 30, 2006, the ROE had invested \$43,120, net of accumulated depreciation, in various capital assets including computers, furniture and equipment. Current year asset additions were \$10,831.

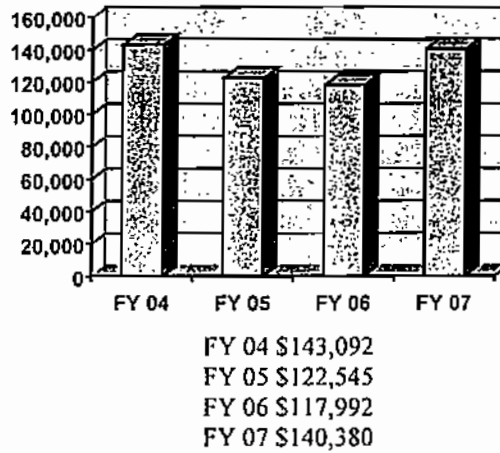
The ROE had depreciation expense of \$25,418 in FY06 and total accumulated depreciation of \$220,351 at June 30, 2006. More detailed information about capital assets is available in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

- The ROE has experienced reduced funding for ROE operations in the past four years.
- The ROE expects the ROE operations grant to increase for fiscal 2007.

ROE Operations Grant



The ROE operations grant has decreased 1.9% through FY 07.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the ROE's financial statement users with a general overview of the ROE's finances and to demonstrate the ROE's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Assistant Superintendent of the Regional Office of Education #1, 507 Vermont, Quincy, IL 62301.

Basic Financial Statements

REGIONAL OFFICE OF EDUCATION #1
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 610,925
Grants receivable	43,866
Accounts receivable	1,300
Due from other agency	1,320
Prepaid items	1,573
Total current assets	658,984
Noncurrent assets:	
Capital assets, net of depreciation	43,120
Total noncurrent assets	43,120
TOTAL ASSETS	\$ 702,104
 LIABILITIES	
Current Liabilities	
Accounts payable	\$ 5,235
Payroll taxes & liabilities payable	500
Total current liabilities	5,735
TOTAL LIABILITIES	\$ 5,735
 NET ASSETS	
Investment in capital assets	\$ 43,120
Unrestricted net assets	617,910
Restricted for teacher professional development	35,339
TOTAL NET ASSETS	\$ 696,369

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

REGIONAL OFFICE OF EDUCATION #1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTIONS/PROGRAMS				
Primary government:				
Instructional Services:				
Salaries & benefits	\$ 647,092	\$ 490,178	\$ -	\$ (156,914)
Purchased services	229,666	173,605	-	(56,061)
Travel & entertainment	82,706	45,539	-	(37,167)
Supplies & materials	51,301	25,012	-	(26,289)
Institute expenses & workshops	43,666	-	-	(43,666)
Capital outlay	2,774	-	-	(2,774)
Depreciation	25,418	-	-	(25,418)
Communication	24,952	-	-	(24,952)
Postage & copies	6,937	-	-	(6,937)
Payments to other governmental units	315,929	306,865	-	(9,064)
Other	10,789	-	-	(10,789)
Administrative:				
On-behalf payments - state	204,483	-	-	(204,483)
Total governmental activities	<u>1,645,713</u>	<u>1,041,199</u>	<u>-</u>	<u>(604,514)</u>
Total primary government	\$ <u>1,645,713</u>	\$ <u>1,041,199</u>	\$ <u>-</u>	\$ <u>(604,514)</u>
General Revenues:				
Registration, certification and permit fees				105,272
Member dues				3,611
Local sources				177,908
State sources				117,992
On-behalf payments				204,483
Interest income				23,929
Transfers				-
Total general revenues, special, extraordinary items and transfers				<u>633,195</u>
Changes in net assets				<u>28,681</u>
Net assets - beginning				<u>667,686</u>
Net assets - ending				<u>\$ 696,369</u>

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

REGIONAL OFFICE OF EDUCATION #1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General Fund	Education Fund	Other Non-Major Funds	Total Governmental Funds
ASSETS				
Cash	\$ 133,049	\$ 356,715	\$ 121,161	\$ 610,925
Grants receivable	18,417	25,449	-	43,866
Accounts receivable	1,300	-	-	1,300
Due from other agency	1,320	-	-	1,320
Prepaid items	325	1,248	-	1,573
TOTAL ASSETS	\$ 154,411	\$ 383,412	\$ 121,161	\$ 658,984
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 655	\$ 518	\$ 4,062	\$ 5,235
Payroll taxes & liabilities payable	500	-	-	500
TOTAL LIABILITIES	1,155	518	4,062	5,735
FUND BALANCES				
Fund balance - reserved	-	386,881	-	386,881
Fund balance - unreserved and undesignated	153,256	(3,987)	117,099	266,368
TOTAL FUND BALANCES	153,256	382,894	117,099	653,249
TOTAL LIABILITIES AND FUND BALANCES	\$ 154,411	\$ 383,412	\$ 121,161	\$ 658,984

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

REGIONAL OFFICE OF EDUCATION #1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances - governmental funds	\$ 653,249
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of assets is \$263,471 and the accumulated depreciation is \$220,351	<u>43,120</u>
Net assets of governmental activities	<u>\$ 696,369</u>

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

REGIONAL OFFICE OF EDUCATION #1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2006

Revenues:	General Fund	Education Fund	Other Non-Major Funds	Total Governmental Funds
Registration, certification and permit fees	\$ 24,485	\$ 9,930	\$ 70,857	\$ 105,272
Member dues	-	-	3,611	3,611
Local sources	89,496	50	88,362	177,908
State sources	117,992	743,852	2,000	863,844
State sources - on behalf payments	204,483	-	-	204,483
Federal sources	-	295,347	-	295,347
Interest income	7,313	13,578	3,038	23,929
Total revenues	<u>443,769</u>	<u>1,062,757</u>	<u>167,868</u>	<u>1,674,394</u>
Expenditures:				
Salaries & benefits	102,782	488,750	55,560	647,092
Salaries & benefits - on behalf payments	204,483	-	-	204,483
Purchased services	83,838	121,947	23,881	229,666
Travel & entertainment	12,307	59,714	10,685	82,706
Supplies & materials	3,570	41,428	6,303	51,301
Institute expenses & workshops	-	-	43,666	43,666
Capital outlay	-	13,605	-	13,605
Communication	21,124	2,855	973	24,952
Postage & copies	5,976	961	-	6,937
Payments to other governmental units	-	315,929	-	315,929
Other	3,739	-	7,050	10,789
Total expenditures	<u>437,819</u>	<u>1,045,189</u>	<u>148,118</u>	<u>1,631,126</u>
Revenues over (under) expenditures	<u>5,950</u>	<u>17,568</u>	<u>19,750</u>	<u>43,268</u>
Other financing sources (uses)				
Transfers in	-	9,477	14,126	23,603
Transfers out	-	(23,603)	-	(23,603)
Total other financing sources	<u>-</u>	<u>(14,126)</u>	<u>14,126</u>	<u>-</u>
Net change in fund balances	5,950	3,442	33,876	43,268
Fund balance - beginning	147,306	379,452	83,223	609,981
Fund balance - ending	<u>\$ 153,256</u>	<u>\$ 382,894</u>	<u>\$ 117,099</u>	<u>\$ 653,249</u>

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

REGIONAL OFFICE OF EDUCATION #1
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balances	\$	43,268
-----------------------------	----	--------

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	10,831	
Depreciation expense	<u>(25,418)</u>	<u>(14,587)</u>

Change in net assets of governmental activities	\$	<u><u>28,681</u></u>
-------------------------------------------------	----	----------------------

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

REGIONAL OFFICE OF EDUCATION #1
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2006

	<u>Agency Fund</u>
ASSETS	
Cash	\$ 6,551
	<hr/>
Total Assets	<u>\$ 6,551</u>
LIABILITIES	
Accumulated Interest Payable	\$ 6,551
	<hr/>
Total Liabilities	<u>\$ 6,551</u>

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

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Regional Office of Education #1 (ROE) conforms to U.S. generally accepted accounting principles, which are appropriate for local governmental units of this type.

A. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities present financial information about the Regional Office of Education #1 as a whole. These statements include the financial activities of the primary government. Governmental activities of the agency are generally funded by State and federal grants.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation between the government-wide statements and the statements for governmental funds.

The Statement of Net Assets presents the financial condition of the governmental activities of the agency at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the agency's governmental activities. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the agency.

Fund Financial Statements - The accounts of the Regional Office of Education #1 are organized on a fund basis, each of which is considered a separate accounting entity segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. The financial activities of the Regional Office of Education #1 accounted for in the accompanying financial statements have been classified into the following fund categories:

Governmental Fund Types

General Fund - General fund is the general operating fund of the agency. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund consists of the agency's ROE operations grant and minor activities such as copier and postage reimbursements.

Special Revenue Funds - Transactions related to resources obtained from specific revenue sources that are legally restricted to expenditure for specified purposes are accounted for in special revenue funds.

Fiduciary Fund Types

Agency Funds - Agency funds consist of funds received from the State Board of Education and distributed by the Regional Office of Education #1 to school districts and other organizations. These funds are custodial in nature and do not involve the measurement of the results of operations.

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As prescribed by GASB Statement No. 34, governmental fund reporting focuses on the major funds, rather than on the fund type. There is a process for determining if a fund should be reported as a major fund based upon each fund's portion of total assets, liabilities, revenues, or expenditures/expenses. Funds that do not meet the major fund determination requirements are reported in aggregate as non-major funds. Regional Office of Education #1 has presented all major funds that meet the above qualifications.

In 2005, the Regional Office of Education #1 implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*, and Amendment of GASB Statement No. 34, GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, and GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an Amendment of GASB Statement No. 34 which changes note disclosure requirements for governmental entities.

B. Measurement Focus and Basis of Accounting

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

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

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirement of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Regional Office of Education #1; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Financial Reporting Entity

The Regional Superintendent is charged with responsibility for registration of the names of applicants for scholarships to State controlled universities; GED examinations and related duties; visitation of public schools; direction of school officers; teacher and administrator institutes; evaluation of the schools in the region; examination of school treasurer's books; examination of evidence of indebtedness; teacher certifications; and retention of school district financial reports.

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #1 districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections, investigate bus drivers for valid bus permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

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

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

For the period ended June 30, 2006, the Regional Office of Education #1 applied for, received, and administered numerous State and federal programs and grants in assistance and support of educational activities of the school districts in Regional Office of Education #1. Such activities are reported as a single major special revenue fund (Education Fund).

Operating costs of the Regional Office of Education #1 are paid for by Adams and Pike counties in accordance with legally adopted budgets approved by the respective county boards. As these expenses do not meet the criteria of manifestations of oversight, the operating expenses of the Regional Office of Education #1 are reported separately in the financial statements of another level of government and are not included in the financial statements of the Regional Office of Education #1.

The criteria used in determining whether the financial results of a particular fund should be included or excluded from the Regional Office of Education #1's financial statements include financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters and scope of public service and financing relationships. Based on this criteria, no other entity is included as a component unit in the Regional Office of Education #1's financial statements. In addition, the Regional Office of Education #1 is not aware of any entity that would exercise such oversight as to result in the Regional Office of Education #1 being considered a component unit of the entity.

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Government-wide Statements

Equity is classified as net assets and displayed in three components:

Invested in Capital Assets – Consists of capital assets, net of accumulated depreciation.

Restricted Net Assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “investment in capital assets.”

Restricted for teacher professional development – The Teacher Institute Fund accounts for teacher registration fees. These funds are to be used to defray expenses connected with improving the technology necessary for the efficient processing of certificates as well as any expenses incidental to teacher institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers. All funds generated remain restricted until expended only on the aforementioned activities.

E. Budgets and budgetary accounting

The Regional Office of Education #1 does not adopt a formal budget and is not legally required to do so for all revenues and expenditures of the governmental funds. The following special revenue funds have budgets:

Administrators Academy
Substance Abuse Grant
Truants Alternative / Optional Education
McKinney Education for Homeless
Regional Safe Schools
Bilingual Education
Special Education Grants Infants/ Toddlers
Learn and Serve America

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

All capital assets are recorded at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The agency maintains a capitalization threshold of \$500 for each individual asset for financial reporting purposes. The costs of normal maintenance and repairs that do not add value to an asset or materially extend an asset's life are not capitalized.

Depreciation is calculated using the straight-line method. Equipment has been depreciated over 5 years and furniture has been depreciated over 7 years.

G. Total Columns - Total columns represent an aggregation of the fund type financial statements. They are presented for information only and do not represent consolidated financial information.

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 2 - DESCRIPTION OF FUNDS

The following is a brief description of each of the current Regional Office of Education #1 Education funds:

Major

- A. Administrators Academy - The Regional Office of Education #1 received a State grant to provide workshops for area teachers.
- B. Substance Abuse Prevention and Treatment - This is a school based initiative program funded by the Illinois Department of Human Services.
- C. Safe and Drug Free Schools - This program was instituted to administer a grant to encourage drug free schools in the area.
- D. Truants Alternative and Optional Education Program - This was a State grant to provide counseling and incentives for problem students.
- E. School to Work - The Regional Office of Education #1 received a State grant to improve students move from school to work.
- F. Early Literacy Challenge - The Regional Office of Education #1 received a grant for literacy supplies and the distribution thereof.
- G. Standards Aligned Classrooms - The Regional Superintendent of Schools received a grant from the Peoria Regional Office of Education to provide funds to insure that State standards were being achieved in the classroom.
- H. General State Aid - This fund maintains revenues received from the State Board of Education earned on a per child basis and administers related program expenditures.
- I. Scientific Literacy Programs - A grant designated to purchase scientific educational supplies for the regional school districts.
- J. Title IV Community Service - The Regional Office of Education #1 received a federal grant to provide children, in alternative education, an opportunity to perform community service.
- K. Retired Professional Services - A program to fund retired superintendent consultation to districts regarding finances, planning and school improvement.
- L. Scientific Literacy Math - The Regional Office of Education #1 received a State grant for the improvement of teacher training in the field of math.
- M. Reorganization Incentive - The Regional Office of Education #1 received a State grant to study the consolidation of two school districts in the region.
- N. Digital Divide - The Regional Office of Education #1 received a DCCA grant to enhance computer learning for low-income individuals.

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 2 - DESCRIPTION OF FUNDS (Continued)

- O. McKinney Education for Homeless Children- The Regional Office of Education #1 received a State grant to provide for a local homeless liaison to help homeless students in the region.
- P. IAG Program – Illinois Attorney General grant to be used for the establishment of victim and witness assistance centers.
- Q. Regional Safe Schools - The Regional Office of Education #1 receives a grant to assist in making schools safer. The agency is currently contracting with Quincy #172 and Pikeland to maintain the program.
- R. Internal Review - The Regional Office of Education #1 received a State grant to facilitate the internal review of the quality review process with local school districts.
- S. Project Success -- A grant funded program to provide after school activities for school-aged children.
- T. Bilingual Education – A grant to provide professional development for teachers of English language learners.
- U. Career Awareness and Development - The Regional Office of Education #1 received a State grant to improve efforts in career development.
- V. Technology Prep Additional – A program which funds a college sponsored workshop for technology teacher education.
- W. Reading Kits – A grant designated to purchase books for regional school districts.
- X. Education to Careers – The Regional Office of Education #1 received a State grant to provide support in career determination.
- Y. Local Professional Development Committee – A program designed to monitor teacher certification plans.
- Z. Illinois Tobacco Prevention – A program that funded activities to encourage children to avoid the use of tobacco.
- AA. Safe to Learn – A grant to provide special tutoring within the regional safe school.
- BB. Special Education Grants Infants/Toddlers - The Regional Office of Education #1 received a federal grant provided by the Department of Health and Human Services to fund a program for pre-school children with disabilities.
- CC. Title I Reading First Part B SEA Funds - The Regional Office of Education #1 received a federal grant to improve the early literacy program.
- DD. Learn and Serve America – The Regional Office of Education #1 received a federal grant to provide children in alternative education an opportunity to perform community service.

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 2 - DESCRIPTION OF FUNDS (Continued)

The following is a brief description of each non-major special revenue fund:

Non-major

- EE. Institute Fund (Adams and Pike Counties) - The Institute Fund is authorized by Section 3-12 of The School Code of Illinois (Illinois. Rev. Stat. 1987, ch. 122, para. 3-12). All examination, registration and renewal fees are paid into the Institute Fund, which is used to defray administrative expenses incidental to teacher's institutes, workshops, or meetings of a professional nature.
- FF. General Education Development Fund - This fund was established to administer the high school level test of General Education Development.
- GG. Supervisory Fund - A state grant to provide for the travel of the regional superintendent.
- HH. Bus Driver Fees - This fund is financed by bus driver permit fees, which are used for training purposes.
- II. Miscellaneous Fund - This fund represents an accumulation of unused grant funds from programs that no longer exist.
- JJ. Pike Co. Film Cooperative Fund - This fund is financed by contributions from the six member schools within Pike County based on an amount equal to \$1.25 per enrolled student.

The following is a brief description of the Regional Office of Education #1's agency fund:

Distributive Fund - Regional Office of Education #1 receives funds from the State Board of Education which it distributes to school districts and other organizations.

Note 3 - DISTRIBUTIVE FUND INTEREST

The Regional Office of Education #1 has agreements with its school districts that it may keep and use Distributive Fund interest for purposes that benefit all districts in Adams and Pike Counties.

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 4 – DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2006, the carrying amount of the Regional Office of Education #1 deposits was \$617,476 (including \$6,551 of fiduciary fund cash) and the bank balance was \$778,493. Of the total bank balances as of June 30, 2006, \$118,862 was secured by federal depository insurance, \$656,287 was collateralized with securities held by the pledging financial institution's trust department in the Regional Office of Education #1's name, and \$3,344 was held in the Illinois Funds Money Market.

B. Investments

The Regional Office of Education #1 does not have a formal investment policy, as its only investments are internally pooled in the Illinois Funds Money Market Fund. As of June 30, 2006, the Regional Office of Education #1 had investments with carrying and fair values of \$3,344 invested in the Illinois Funds Money Market.

Credit Risk

At June 30, 2006 the Illinois Funds Money Market Fund had a Standards and Poor's AAA 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 Investments 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 to have 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 Funds 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's 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.

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 5 - OTHER REQUIRED FUND DISCLOSURES

Deficit fund balances at June 30, 2006 are as follows:

Digital Divide	\$ 2,816
McKinney Education for Homeless	\$ 162
Bilingual Education	\$ 1,009
Supervisory Fund	\$ 264

Note 6 – COMPENSATED ABSENCES

Non-certified and certified employees who work 12 calendar months earn 10 to 20 vacation days for each full year of service, depending on years of service. At the end of each fiscal year, accumulated and carried forward vacation time can be up to 10 days. Employee vacation pay is recorded when paid. Accumulated unpaid vacation benefits were not determined but are not material in relation to the financial statements as a whole in the opinion of management. Upon termination, employees do not receive accrued vacation pay, and therefore, no liability is recorded.

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

Note 7 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards, No. 107, "Disclosures about Fair Value of Financial Instruments," requires certain entities to disclose the estimated fair value of their financial instrument assets and liabilities. The Regional Office of Education #1's financial instruments consist principally of cash and cash equivalents, receivables and payables. There are no significant differences between the carrying value and fair value of any of these financial instruments.

Note 8 - ON-BEHALF PAYMENTS

Regional Superintendent Salary	\$ 84,737
Regional Superintendent Fringe Benefits (includes State paid insurance)	18,101
Assistant Regional Superintendent Salary	76,263
Assistant Regional Superintendent Fringe Benefits (includes State paid insurance)	17,548
Pension contributions for Regional Office of Education #1 participants in the Teachers' Retirement System	<u>7,834</u>
Total	<u>\$ 204,483</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. Pension contribution data for Teachers' Retirement System participants was obtained from the Teachers' Retirement System of the State of Illinois.

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 9 – OPERATING LEASES

At June 30, 2006 the Regional Office of Education was a party to the following lease agreements:

On June 1, 2004 the Children and Family Connections Program of the Regional Office of Education entered into a three year lease for office space with WCU Tower Corporation. The monthly lease payment is \$750.

Future minimum lease payments are as follows:

	<u>Amount</u>
For the fiscal year ending June 30, 2007	<u>\$8,250</u>
Total future minimum lease payments	<u>\$8,250</u>

Note 10 – CAPITAL ASSETS

A summary of capital assets follows:

	<u>June 30, 2006</u>
Equipment	\$ 240,509
Furniture & fixtures	<u>22,962</u>
Total Cost	263,471
Less: Accumulated depreciation	<u>(220,351)</u>
Net Capital Assets	<u>\$ 43,120</u>

Depreciation policies are disclosed in Note 1. Depreciation expense for the fiscal year ended June 30, 2006 was \$25,418.

Note 11 – DUE FROM WCR

At June 30, 2006 the Regional Office of Education #1 was due \$1,320 from the West Central Region #240. These monies were due for payroll expenses paid for by the Regional Office of Education for the West Central Region #240

Note 12 – NEW ACCOUNTING PRONOUNCEMENTS

Effective for the year ending June 30, 2006, the Regional Office of Education #1 adopted the following GASB Statements:

- a) GASB Statement No. 42, *Net Assets Restricted by Enabling Legislation (an amendment of GASB No. 34)*.
- b) GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section—an amendment of NCGA Statement 1*.
- c) GASB Statement No. 46, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.
- d) GASB Statement No. 47, *Accounting for Termination Benefits*.

There was no significant impact on the Regional Office of Education #1's financial statements as a result of adopting these statements.

REGIONAL OFFICE OF EDUCATION #1
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

Note 13 – DEFINED BENEFIT PENSION PLAN

The Employer'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% of their annual covered salary. The member rate is established by state statute. The employer is required to contribute at an actuarially determined rate. The employer rate for calendar year 2005 was 2.86% 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, 2005 was 5 years.

For December 31, 2005, the Employer's annual pension cost of \$14,381 was equal to the Employer's required and actual contributions. The required contribution was determined as part of the December 31, 2003 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% per year, attributable to inflation (c) additional projected salary increases ranging from .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 2005 actuarial valuation were based on the 2002-2004 experience study.

TREND INFORMATION

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12-31-05	14,831	100%	\$ 0
12-31-04	10,324	100%	0
12-31-03	28,521	100%	0
12-31-02	23,673	100%	0
12-31-01	21,816	100%	0
12-31-00	16,949	100%	0
12-31-99	15,646	100%	0
12-31-98	10,599	100%	0
12-31-97	9,315	100%	0
12-31-96	9,117	100%	0

REGIONAL OFFICE OF EDUCATION #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 14 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

The Regional Office of Education #1 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 non-annuitants who are employed by the TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 2006 was 9.4 percent of 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 employers and members pay a contribution to the Teachers’ Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of the retirement plan. The employer THIS Fund contribution was 0.6 percent during the year ended June 30, 2006, and the member THIS Fund Health insurance contribution was 0.80 percent.

The State of Illinois makes contributions directly to TRS on behalf of the Regional Office of Education #1 TRS-covered employees.

- **On-behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #1. For the year ended June 30, 2006, State of Illinois contributions were based on 7.06 percent of creditable earnings, and the Regional Office of Education #1 recognized revenue and expenditures of \$7,834 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2005, and June 30, 2004, the State of Illinois contribution rates as percentages of creditable earnings were 11.76 percent (\$12,375) and 13.98 percent (\$15,502), respectively.

The Regional Office of Education #1 makes three other types of employer contributions directly to TRS.

- **2.2 formula contributions.** Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. Contributions for the year ended June 30, 2006 were \$246. Contributions for the years ending June 30, 2005, and June 30, 2004, were \$610 and \$662, respectively.
- **Federal and trust fund contributions.** When TRS members are paid from federal and trust funds administered by the Regional Office of Education #1, there is a statutory requirement for the Regional Office of Education #1 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and trust funds will be the same as the state contribution rate of TRS.

For the year ended June 30, 2006, the employer pension contribution was 7.06 percent of salaries paid from federal and trust funds. For the two years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2006 salaries totaling \$42,360 were paid from federal and trust funds that required employer contributions of \$2,991. For the two years ended June 30, 2005, the Regional Office of Education #1 paid no employer contributions from the federal and trust fund contribution.

REGIONAL OFFICE OF EDUCATION #1
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

Note 14 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (continued)

- **Early Retirement Option (ERO).** The Regional Office of Education #1 is also required to make one-time employer contributions to TRS for members retired under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member.

Under Public Act 94-0004, 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. If members do not meet those conditions, they can retire under the “Modified ERO” program which requires higher member and employer contributions to TRS. Also, under Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of services (unless the member qualifies for Pipeline ERO).

Under the ERO program that expired on June 30, 2005 and the Pipeline ERO, the maximum employer contribution is 100 percent of the member’s highest salary used in the final average salary calculation.

Under the Modified ERO, the maximum employer contribution is 117.5 percent. Both the 100 percent and 117.5 percent maximum apply when the member is age 55 at retirement. For the three years ended June 30, 2006, the Regional Office of Education #1 paid no employer contributions under the Early Retirement Option.

TRS financial information, an explanation of TRS benefits, and descriptions of members, employer and state funding requirements can be found in the *TRS Comprehensive Annual Financial Report* for the year ended June 30, 2005. The report for the year ended June 30, 2006, is expected to be available in late 2006. The reports may be obtained in writing to the Teacher’s Retirement System of the State of Illinois, PO Box 19253, 2815 West Washington Street, Springfield, Illinois 62794-9253. The most current report is also available on the TRS web site at www.trs.illinois.gov.

Note 15 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2006 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Miscellaneous Fund	14,126	
Safe and Drug Free Schools		4,439
School To Work		191
Early Literacy Challenge	1,995	
Scientific Literacy Program		6,889
Scientific Literacy Summer		221
Title IV Community Service	18	
Retired Professional Services		863
Scientific Literacy Math		3,471
IAG Program		302
Internal Review	7,464	
Project Success		3,819
Career Awareness and Development		275
Reading Kits		2,109
Education to Career		169
Illinois Tobacco Prevention		547
Safe to Learn		308
	<u>23,603</u>	<u>23,603</u>

Required Supplemental Information
(Other than Management's Discussion & Analysis)

REGIONAL OFFICE OF EDUCATION #1
SCHEDULE OF FUNDING PROGRESS
Illinois Municipal Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability 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}
12/31/2005	660,968	554,677	(106,291)	119.16%	518,572	0%
12/31/2004	625,738	504,137	(121,601)	124.12%	445,001	0%
12/31/2003	676,778	536,804	(139,974)	126.08%	449,861	0%
12/31/2002	609,324	439,403	(169,921)	138.67%	506,913	0%
12/31/2001	543,139	442,320	(100,819)	122.79%	538,673	0%
12/31/2000	671,330	506,532	(164,798)	132.53%	476,109	0%
12/31/1999	599,261	415,131	(184,130)	144.35%	434,627	0%
12/31/1998	475,014	315,971	(159,043)	150.33%	361,735	0%
12/31/1997	397,421	276,359	(121,062)	143.81%	301,301	0%
12/31/1996	432,029	309,087	(122,942)	139.78%	140,261	0%

On a market value basis, the actuarial value of assets as of December 31, 2005 is \$671,663.

On a market value basis, the funded ratio would be 121.09%.

Digest of Changes

2005 Assumptions:

The actuarial assumptions used to determine the actuarial accrued liability for 2005 are based on the 2002 - 2004 Experience Study.

The principle changes were:

1. The 1994 Group Annuity Mortality implemented.
2. For regular members, fewer normal and more early retirements are expected to occur.

SUPPLEMENTAL INFORMATION

REGIONAL OFFICE OF EDUCATION #1
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 JUNE 30, 2006

	Administrators Academy	Substance Abuse Prevention and Treatment	Safe and Drug Free Schools	Tuants Alternative and Optional Education	School to Work	Early Literacy Challenge	Standards Aligned Classrooms	General State Aid
Cash	\$ -	\$ (3,027)	\$ -	\$ 2,350	\$ -	\$ -	\$ 38,867	\$ 287,190
Grants receivable	-	15,620	-	-	-	-	-	-
Prepaid items	-	328	-	163	-	-	-	-
Total Assets	\$ -	\$ 12,919	\$ -	\$ 2,513	\$ -	\$ -	\$ 38,867	\$ 287,190

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts payable	\$ -
Total liabilities	\$ -
Fund balances	
Fund balance - reserved	12,919
Fund balance - unreserved	-
Total fund balance (deficit)	12,919
Total liabilities and fund balance	\$ 12,919

REGIONAL OFFICE OF EDUCATION #1
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 JUNE 30, 2006

	Scientific Literacy Program	Scientific Literacy Summer	Title IV Community Service	Retired Professional Services	Scientific Literacy Math	Reorganization Incentive	Digital Divide	McKinney Education for Homeless
ASSETS								
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,298)	\$ (162)
Grants receivable	-	-	-	-	-	6,500	-	-
Prepaid items	-	-	-	-	-	-	-	-
Total Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,500	\$ (2,298)	\$ (162)
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 518	\$ -
Total Liabilities	-	-	-	-	-	-	518	-
Fund balances								
Fund balance - reserved	-	-	-	-	-	6,500	-	-
Fund balance - unreserved	-	-	-	-	-	-	(2,816)	(162)
Total fund balance (deficit)	-	-	-	-	-	6,500	(2,816)	(162)
Total liabilities and fund balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,500	\$ (2,298)	\$ (162)

REGIONAL OFFICE OF EDUCATION #1
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 JUNE 30, 2006

	IAG Program	Regional Safe Schools	Internal Review	Project Success	Bilingual Education	Career Awareness and Development	Tech. Prep Additional	Reading Kits
ASSETS								
Cash	\$ -	\$ 2,012	\$ -	\$ -	\$ (4,338)	\$ -	\$ 10,130	\$ -
Grants receivable	-	-	-	-	3,329	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
Total Assets	\$ -	\$ 2,012	\$ -	\$ -	\$ (1,009)	\$ -	\$ 10,130	\$ -

LIABILITIES AND FUND BALANCE

Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances								
Fund balance - reserved	-	2,012	-	-	-	-	10,130	-
Fund balance - unreserved	-	-	-	-	(1,009)	-	-	-
Total fund balance (deficit)	-	2,012	-	-	(1,009)	-	10,130	-
Total liabilities and fund balance	\$ -	\$ 2,012	\$ -	\$ -	\$ (1,009)	\$ -	\$ 10,130	\$ -

REGIONAL OFFICE OF EDUCATION #1
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 JUNE 30, 2006

ASSETS

	Education to Careers	Local Professional Development Committee	Illinois Tobacco Prevention	Safe to Learn	Special Education Grants Infant/Toddler	Title I Reading First	Learn and Serve America	Combined Total
Cash	\$ -	\$ 847	\$ -	\$ -	\$ 14,512	\$ 1,050	\$ 9,582	\$ 356,715
Grants receivable	-	-	-	-	-	-	-	25,449
Prepaid items	-	-	-	-	759	-	-	1,248
Total Assets	\$ -	\$ 847	\$ -	\$ -	\$ 15,271	\$ 1,050	\$ 9,582	\$ 383,412

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 518
Total liabilities	-	-	-	-	-	-	-	518

Fund balances

Fund balance - reserved	-	847	-	-	15,271	1,050	9,582	386,881
Fund balance - unreserved	-	-	-	-	-	-	-	(3,987)
Total fund balance (deficit)	-	847	-	-	15,271	1,050	9,582	382,894
Total liabilities and fund balance	\$ -	\$ 847	\$ -	\$ -	\$ 15,271	\$ 1,050	\$ 9,582	\$ 383,412

REGIONAL OFFICE OF EDUCATION #1
 COMBINING SCHEDULE OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2006

	Administrators Academy	Substance Abuse Prevention and Treatment	Safe and Drug Free Schools	Tuants Alternative and Optional Education	School to Work	Early Literacy Challenge	Standards Aligned Classrooms	General State Aid
Revenues								
Registration, certification and permit fees								
Local sources								
State sources	20,000	84,420		64,191				206,508
Federal sources		97,300					36,000	
Interest income		458		93			1,394	9,247
Total revenues	20,000	182,178		64,284			37,394	215,755
Expenditures								
Salaries and benefits	16,177	121,801		52,756			5,323	67
Purchased services	666	31,422		5,038			15,782	
Travel & entertainment	830	20,162		3,113			2,278	7,261
Supplies & materials		28,108		1,623				1,544
Institute expenses and workshops								
Capital outlay		2,877						
Communication	2,127			728				
Postage and copies				837				
Payment to other government units								173,685
Other								
Total expenditures	20,000	204,370		64,095			23,983	182,557
Revenues over (under) expenditures		(22,192)		189			14,001	33,198
Other financing sources (uses)								
Transfers in						1,995		
Transfers out			(4,439)		(191)			
Total other financing sources			(4,439)		(191)	1,995		
Net changes in fund balances		(22,192)	(4,439)	189	(181)	1,995	14,001	33,198
Fund balance - July 1, 2005		35,111	4,439	2,324	191	(1,995)	24,866	253,992
Fund balance - June 30, 2006		12,919		2,513			38,867	287,190

REGIONAL OFFICE OF EDUCATION #1
 COMBINING SCHEDULE OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2006

	Scientific Literacy Program	Scientific Literacy Summer	Title IV Community Service	Retired Professional Services	Scientific Literacy Math	Reorganization Incentive	Digital Divide	McKinney Education for Homeless
Revenues								
Registration, certification and permit fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	6,500	-	-
Federal sources	-	-	-	-	-	-	-	13,600
Interest income	-	-	-	-	-	-	574	-
Total revenues						6,500	574	13,600
Expenditures								
Salaries and benefits	-	-	-	-	-	-	23,632	11,789
Purchased services	-	-	-	-	-	-	1,839	-
Travel & entertainment	-	-	-	-	-	-	-	777
Supplies & materials	-	-	-	-	-	-	2,047	880
Institute expenses and workshops	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	6,691	-
Communication	-	-	-	-	-	-	-	-
Postage and copies	-	-	-	-	-	-	-	124
Payment to other government units	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total expenditures							34,309	13,570
Revenues over (under) expenditures						6,500	(33,735)	30
Other financing sources (uses)								
Transfers in	-	18	-	-	-	-	-	-
Transfers out	(6,889)	(221)	-	(863)	(3,471)	-	-	-
Total other financing sources	(6,889)	(221)	18	(863)	(3,471)			
Net changes in fund balances						6,500	(33,735)	30
Fund balance - July 1, 2005	6,889	221	(18)	863	3,471		30,919	(192)
Fund balance - June 30, 2006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,500	\$ (2,816)	\$ (162)

REGIONAL OFFICE OF EDUCATION #1
 COMBINING SCHEDULE OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2006

	IAG Program	Regional Safe Schools	Internal Review	Project Success	Bilingual Education	Career Awareness and Development	Tech. Prep Additional	Reading Kits
Revenues								
Registration, certification and permit fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,930	\$ -
Local sources	-	-	-	-	-	-	-	-
State sources	-	128,654	-	-	10,774	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interest income	-	287	-	-	-	-	-	65
Total revenues		128,941			10,774		9,995	
Expenditures								
Salaries and benefits	-	-	-	-	6,562	-	-	-
Purchased services	-	-	-	-	-	-	3,890	-
Travel & entertainment	-	-	-	-	463	-	-	-
Supplies & materials	-	-	-	-	212	-	-	-
Institute expenses and workshops	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-
Postage and copies	-	-	-	-	-	-	-	-
Payment to other government units	-	128,654	-	-	4,526	-	-	-
Other	-	-	-	-	-	-	-	-
Total expenditures		128,654			11,783		3,890	
Revenues over (under) expenditures		287			(1,009)		8,105	
Other financing sources (uses)								
Transfers in	-	-	7,464	-	-	-	-	-
Transfers out	(302)	-	-	(3,819)	-	(275)	-	(2,109)
Total other financing sources								
Not changes in fund balances								
Fund balance - July 1, 2005	302	1,725	(7,464)	3,819	-	275	4,025	2,109
Fund balance - June 30, 2006	\$ -	\$ 2,012	\$ -	\$ -	\$ (1,009)	\$ -	\$ 10,130	\$ -

REGIONAL OFFICE OF EDUCATION #1
 COMBINING SCHEDULE OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2005

	Education to Career	Local Professional Development Committee	Illinois Tobacco Prevention	Safe to Learn	Special Education Grants Infants/Toddlers	Title I Reading First	Learn and Serve America	Combined Total
Revenues								
Registration, certification and permit fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,930
Local sources	-	-	-	-	50	-	-	50
State sources	-	-	-	-	222,805	-	-	743,852
Federal sources	-	-	-	-	134,901	-	13,546	295,347
Interest income	-	30	-	-	1,011	299	120	13,578
Total revenues	-	30	-	-	358,767	299	13,666	1,052,757
Expenditures								
Salaries and benefits	-	-	-	-	250,620	23	-	488,750
Purchased services	-	-	-	-	61,151	681	1,168	121,947
Travel & entertainment	-	-	-	-	24,810	-	-	59,714
Supplies & materials	-	-	-	-	7,014	-	-	41,428
Institute expenses and workshops	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	4,037	-	-	13,605
Communication	-	-	-	-	-	-	-	2,855
Postage and copies	-	-	-	-	-	-	-	961
Payment to other government units	-	-	-	-	-	9,064	-	315,929
Other	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	347,632	9,768	1,168	1,045,189
Revenues over (under) expenditures	-	30	-	-	11,135	(9,469)	12,498	17,568
Other financing sources (uses)								
Transfers in	(169)	-	-	-	-	-	-	9,477
Transfers out	-	-	(547)	(308)	-	-	-	(23,603)
Total other financing sources	(169)	-	(547)	(308)	-	-	-	(14,126)
Net changes in fund balances	(169)	30	(547)	(308)	11,135	(9,469)	12,498	3,442
Fund balance - July 1, 2005	169	817	547	308	4,136	10,519	(2,916)	379,452
Fund balance - June 30, 2006	\$ -	\$ 847	\$ -	\$ -	\$ 15,271	\$ 1,050	\$ 9,582	\$ 382,894

See accompanying Independent Auditor's Report
57

REGIONAL OFFICE OF EDUCATION #1
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2006

	Administrators Academy		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local sources	\$ -	\$ -	\$ -
State sources	20,000	20,000	-
Federal sources	-	-	-
Interest income	-	-	-
Total Revenues	20,000	20,000	-
Expenditures:			
Salaries and benefits	15,969	16,177	(208)
Purchased services	4,031	866	3,165
Travel & entertainment	-	830	(830)
Supplies & materials	-	-	-
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	2,127	(2,127)
Postage and copies	-	-	-
Payment to other governmental units	-	-	-
Other	-	-	-
Total Expenditures	20,000	20,000	-
Net change in fund balances	\$ -	-	\$ -
Fund Balance, July 1, 2005		-	
Fund Balance, June 30, 2006		<u>\$ -</u>	

	Substance Abuse Grant		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local sources	\$ -	\$ -	\$ -
State sources	84,420	84,420	-
Federal sources	97,300	97,300	-
Interest income	-	458	458
Total Revenues	181,720	182,178	458
Expenditures:			
Salaries and benefits	121,329	121,801	(472)
Purchased services	25,823	31,422	(5,599)
Travel & entertainment	19,000	20,162	(1,162)
Supplies & materials	15,568	28,108	(12,540)
Institute expenses and workshops	-	-	-
Capital outlay	-	2,877	(2,877)
Communication	-	-	-
Postage and copies	-	-	-
Payment to other governmental units	-	-	-
Other	-	-	-
Total Expenditures	181,720	204,370	(22,650)
Net change in fund balances	\$ -	(22,192)	\$ (22,192)
Fund Balance, July 1, 2005		35,111	
Fund Balance, June 30, 2006		<u>\$ 12,919</u>	

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2006

	Truants Alternative/Optional Education		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local sources	\$ -	\$ -	\$ -
State sources	64,191	64,191	-
Federal sources	-	-	-
Interest income	-	93	93
Total Revenues	64,191	64,284	93
Expenditures:			
Salaries and benefits	49,400	52,756	(3,356)
Purchased services	12,291	5,038	7,253
Travel & entertainment	-	3,113	(3,113)
Supplies & materials	2,500	1,623	877
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	728	(728)
Postage and copies	-	837	(837)
Payment to other governmental units	-	-	-
Other	-	-	-
Total Expenditures	64,191	64,095	96
Net change in fund balances	\$ -	189	\$ 189
Fund Balance, July 1, 2005		2,324	
Fund Balance, June 30, 2006		<u>\$ 2,513</u>	

	McKinney Education for Homeless		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local sources	\$ -	\$ -	\$ -
State sources	-	-	-
Federal sources	12,500	13,600	1,100
Interest income	-	-	-
Total Revenues	12,500	13,600	1,100
Expenditures:			
Salaries and benefits	10,536	11,789	(1,253)
Purchased services	1,564	-	1,564
Travel & entertainment	-	777	(777)
Supplies & materials	400	880	(480)
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	-	-
Postage and copies	-	124	(124)
Payment to other governmental units	-	-	-
Other	-	-	-
Total Expenditures	12,500	13,570	(1,070)
Net change in fund balances	\$ -	30	\$ 30
Fund Balance, July 1, 2005		(192)	
Fund Balance, June 30, 2006		<u>\$ (162)</u>	

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2006

	Regional Safe Schools		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local sources	\$ -	\$ -	\$ -
State sources	123,756	128,654	4,898
Federal sources	-	-	-
Interest income	-	287	287
Total Revenues	123,756	128,941	5,185
Expenditures:			
Salaries and benefits	-	-	-
Purchased services	-	-	-
Travel & entertainment	-	-	-
Supplies & materials	-	-	-
Institute expenses and workshops	-	-	-
Capital outlay	-	-	-
Communication	-	-	-
Postage and copies	-	-	-
Payment to other governmental units	123,756	128,654	(4,898)
Other	-	-	-
Total Expenditures	123,756	128,654	(4,898)
Net change in fund balances	\$ -	287	\$ 287
Fund Balance, July 1, 2005		1,725	
Fund Balance, June 30, 2006		<u>\$ 2,012</u>	

	Bilingual Education		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local sources	\$ -	\$ -	\$ -
State sources	20,705	10,774	(9,931)
Federal sources	-	-	-
Interest income	-	-	-
Total Revenues	20,705	10,774	(9,931)
Expenditures:			
Salaries and benefits	-	6,562	(6,562)
Purchased services	18,605	-	18,605
Travel & entertainment	-	483	(483)
Supplies & materials	1,600	212	1,388
Institute expenses and workshops	-	-	-
Capital outlay	500	-	500
Communication	-	-	-
Postage and copies	-	-	-
Payment to other governmental units	-	4,526	(4,526)
Other	-	-	-
Total Expenditures	20,705	11,783	8,922
Net change in fund balances	\$ -	(1,009)	\$ (1,009)
Fund Balance, July 1, 2005		-	
Fund Balance, June 30, 2006		<u>\$ (1,009)</u>	

See accompanying independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2006

	Special Education Grants Infant/Toddler		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local sources	\$ -	\$ 50	\$ 50
State sources	221,599	222,805	1,206
Federal sources	134,901	134,901	-
Interest income	-	1,011	1,011
Total Revenues	356,500	358,767	2,267
Expenditures:			
Salaries and benefits	272,500	250,620	21,880
Purchased services	64,000	61,151	2,849
Travel & entertainment	15,000	24,810	(9,810)
Supplies & materials	5,000	7,014	(2,014)
Institute expenses and workshops	-	-	-
Capital outlay	-	4,037	(4,037)
Communication	-	-	-
Postage and copies	-	-	-
Payment to other governmental units	-	-	-
Other	-	-	-
Total Expenditures	356,500	347,632	8,868
Net change in fund balances	\$ -	11,135	\$ 11,135
Fund Balance, July 1, 2005		4,136	
Fund Balance, June 30, 2006		<u>\$ 15,271</u>	

	Learn and Serve America		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local sources	\$ -	\$ -	\$ -
State sources	20,705	-	(20,705)
Federal sources	-	13,546	13,546
Interest income	-	120	120
Total Revenues	20,705	13,666	(7,039)
Expenditures:			
Salaries and benefits	-	-	-
Purchased services	18,605	1,168	17,437
Travel & entertainment	-	-	-
Supplies & materials	1,600	-	1,600
Institute expenses and workshops	-	-	-
Capital outlay	500	-	500
Communication	-	-	-
Postage and copies	-	-	-
Payment to other governmental units	-	-	-
Other	-	-	-
Total Expenditures	20,705	1,168	19,537
Net change in fund balances	\$ -	12,498	\$ 12,498
Fund Balance, July 1, 2005		(2,916)	
Fund Balance, June 30, 2006		<u>\$ 9,582</u>	

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2006

	Institute Funds Adams County	Institute Funds Pike County	General Education Development Fund	Supervisory Fund	Bus Driver Fees	Miscellaneous Fund	Pike County Film Cooperative Fund	TOTAL
ASSETS								
Cash	\$ 31,542	\$ 7,757	\$ 5,449	\$ (162)	\$ 12,574	\$ 55,852	\$ 8,149	\$ 121,161
Total Assets	\$ 31,542	\$ 7,757	\$ 5,449	\$ (162)	\$ 12,574	\$ 55,852	\$ 8,149	\$ 121,161
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts payable	\$ 3,960	\$ -	\$ -	\$ 102	\$ -	\$ -	\$ -	\$ 4,062
Total liabilities	3,960	-	-	102	-	-	-	4,062
Fund balance (deficit)								
Reserved for grant programs	-	-	-	-	-	-	-	-
Unreserved - undesignated (deficit)	27,582	7,757	5,449	(264)	12,574	55,852	8,149	117,099
Total fund balance (deficit)	27,582	7,757	5,449	(264)	12,574	55,852	8,149	117,099
Total liabilities and fund balance	\$ 31,542	\$ 7,757	\$ 5,449	\$ (162)	\$ 12,574	\$ 55,852	\$ 8,149	\$ 121,161

REGIONAL OFFICE OF EDUCATION #1
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	Institute Funds Adams County	Institute Funds Pike County	General Education Development Fund	Supervisory Fund	Bus Driver Fees	Miscellaneous Fund	Pike County Film Cooperative Fund	TOTAL
Revenues:								
Registration, certification and permit fees	\$ 21,158	\$ 26,778	\$ 21,361	\$ -	\$ 1,560	\$ -	\$ -	\$ 70,857
Member dues	-	-	-	-	-	-	3,611	3,611
Local sources	-	-	-	-	-	88,362	-	88,362
State sources	-	-	-	2,000	-	-	-	2,000
Interest income	678	170	58	32	337	1,736	27	3,038
Total revenues	21,836	26,948	21,419	2,032	1,897	90,098	3,638	167,858
Expenditures:								
Salaries and benefits	-	-	1,827	-	-	53,733	-	55,560
Purchased services	2,695	-	6,791	-	930	13,465	-	23,881
Travel & entertainment	2,330	-	3,547	2,297	-	2,511	-	10,685
Supplies & materials	-	-	78	-	-	6,101	124	6,303
Institute expenses and workshops	16,808	26,858	-	-	-	-	-	43,666
Capital outlay	-	-	-	-	-	-	-	-
Communication	-	-	953	-	-	-	20	973
Postage and copies	-	-	-	-	-	-	-	-
Payment to other government units	-	-	-	-	-	-	-	-
Other	-	-	2,748	-	-	4,302	-	7,050
Total expenditures	21,833	26,858	15,944	2,297	930	80,112	144	148,118
Revenues over (under) expenditures	3	90	5,475	(265)	967	9,986	3,494	19,750
Other financing sources (uses)								
Transfers in	-	-	-	-	-	14,126	-	14,126
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	14,126	-	14,126
Net changes in fund balances	3	90	5,475	(265)	967	24,112	3,494	33,876
Fund balance - July 1, 2005	27,579	7,667	(26)	1	11,607	31,740	4,655	83,223
Fund balance - June 30, 2006	\$ 27,582	\$ 7,757	\$ 5,449	\$ (264)	\$ 12,574	\$ 55,852	\$ 8,149	\$ 117,099

See accompanying Independent Auditor's Report
63

REGIONAL OFFICE OF EDUCATION #1
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 DISTRIBUTIVE FUND
 FOR THE YEAR ENDED JUNE 30, 2006

<u>DISTRIBUTIVE FUND</u>	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006
<u>ASSETS</u>				
Cash	\$ 6,288	\$ 1,153,379	\$ 1,153,116	\$ 6,551
Total Assets	<u>6,288</u>	<u>1,153,379</u>	<u>1,153,116</u>	<u>6,551</u>
<u>LIABILITIES</u>				
Accumulated Interest Payable	\$ 6,288	\$ 263	\$ -	\$ 6,551
Total Liabilities	<u>\$ 6,288</u>	<u>\$ 263</u>	<u>\$ -</u>	<u>\$ 6,551</u>

See accompanying Independent Auditor's Report

REGIONAL OFFICE OF EDUCATION #1
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURER'S AND OTHER ENTITIES
 FOR THE YEAR ENDED JUNE 30, 2006

	West Central Region #240	ROE #1	Totals
Alternative Education	\$ -	\$ 128,654	\$ 128,654
General State Aid	-	206,508	206,508
Learn & Serve America		13,546	13,546
ROE/ISC Operations	-	99,575	99,575
ROE/ISC School Bus Driver Training	-	360	360
Supervisory Expense	-	2,000	2,000
Truants Alternative / Optional Education	-	64,191	64,191
Voc. Ed. Agricultural Education Incentive	16,582	-	16,582
Voc. Ed. Perkins Title IIc Secondary	177,970	-	177,970
Voc. Ed. Sec. Program Imp.	443,730	-	443,730
	<u>\$ 638,282</u>	<u>\$ 514,834</u>	<u>\$ 1,153,116</u>

See accompanying Independent Auditor's Report

FEDERAL COMPLIANCE SECTION

REGIONAL OFFICE OF EDUCATION #1
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Project # or Contract #	Federal Expenditures 7/1/05-6/30/06
U.S. Dept. of Education passed through Illinois State Board of Education:			
Title I – Reading First Part B SEA Funds	84.357A	2005-4337-02	704
Learn and Serve America	94.004	2006-4910-00	1,168
U.S. Dept. of Education passed through Hancock-McDonough ROE #26:			
McKinney Education for Homeless	84.196A	2006-4920-00	13,570
U.S. Dept. of Education passed through Clark, Coles, Cumberland, Douglas, Edgar, Moultrie and Shelby ROE #11:			
Standards Aligned Classrooms	84.289	06-4999-00	23,393
U.S. Dept. of Health and Human Services passed through IL Department of Human Services:			
Substance Abuse Prevention and Treatment Block Grant	93.959	11G6011000	97,300
(m) Special Education Grants Infants/Toddlers	84.181	11G6011000	134,901
Total Expenditures of Federal Awards			\$ 271,036

(m) - Program was audited as a major program

The accompanying notes are an integral part of this schedule

REGIONAL OFFICE OF EDUCATION #1
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Note 1 – Reporting Entity Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of ROE #1 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented on this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – Subrecipients

None of the federal expenditures presented in the schedule were provided to subrecipients.

Note 3 – Descriptions of Major Federal Program

Special Education Grants Infants and Toddlers - Federal grant provided by the Department of Health and Human Services to fund a program for pre-school children with disabilities.

Note 4 – Non-Cash Assistance

None

Note 5 – Amount of Insurance

None

Note 6 – Loans or Loan Guarantees Outstanding

None