

State of Illinois
REGIONAL OFFICE OF EDUCATION #12
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 Auditor General, State of Illinois

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

TABLE OF CONTENTS

	<u>Page(s)</u>
OFFICIALS	1
COMPLIANCE REPORT SUMMARY	2
FINANCIAL STATEMENT REPORT SUMMARY	3
INDEPENDENT AUDITORS' 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 IN ACCORDANCE WITH <i>OMB CIRCULAR A-133</i>	8 - 9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	10 - 14
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS	15
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	16
MANAGEMENT'S DISCUSSION AND ANALYSIS	17A - 17F
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	18
Statement of Activities.....	19
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	20 - 21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	23 - 24

CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12

TABLE OF CONTENTS (Continued)

	<u>Page(s)</u>
BASIC FINANCIAL STATEMENTS: (Continued)	
Fund Financial Statements: (Continued)	
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Funds.....	25
Statement of Fiduciary Net Assets - Fiduciary Fund.....	26
Notes to Financial Statements	27 - 42
REQUIRED SUPPLEMENTARY INFORMATION:	
Illinois Municipal Retirement Fund – Schedule of Funding Progress.....	43
SUPPLEMENTAL INFORMATION:	
General Fund:	
Combining Schedules:	
Combining Schedule of Accounts - General Fund.....	44 - 45
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund Accounts	46 - 47
Individual Schedule:	
Budgetary Comparison Schedule - General Fund Accounts ROE/ISC Operations Project #06-3730-00.....	48
Education Fund:	
Combining Schedules:	
Combining Schedule of Accounts - Education Fund	49 - 51
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Education Fund Accounts.....	52 - 54

CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12

TABLE OF CONTENTS (Continued)

Page(s)

SUPPLEMENTAL INFORMATION: (Continued)

Education Fund: (Continued)

Individual Schedules:

Budgetary Comparison Schedule – Education Fund Accounts Truants Alternative/Optional Education Project #06-3695-00.....	55
Budgetary Comparison Schedule - Education Fund Accounts Early Childhood Block Grant Project #06-3705-60.....	56
Budgetary Comparison Schedule - Education Fund Accounts Title IV Safe and Drug Free Schools Project #05-4415-00.....	57
Budgetary Comparison Schedule - Education Fund Accounts Title IV Safe and Drug Free Schools Project #06-4415-00.....	58
Budgetary Comparison Schedule - Education Fund Accounts Regional Safe Schools Project #06-3696-00.....	59
Budgetary Comparison Schedule - Education Fund Accounts Bridges Extended Learning Opportunities Project #06-3825-00.....	60
Budgetary Comparison Schedule - Education Fund Accounts Technology-Learning Technology Center Project #06-3780-00.....	61

CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12

TABLE OF CONTENTS (Continued)

	<u>Page(s)</u>
SUPPLEMENTAL INFORMATION: (Continued)	
Nonmajor Funds:	
Combining Statements:	
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	62 - 63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Special Revenue Funds.....	64 - 65
Combining Statement of Fiduciary Net Assets - Agency Funds	66
Combining Statement of Changes in Assets and Liabilities - Agency Funds	67
Schedule of Disbursements to School District Treasurers and Other Entities	68 - 71
FEDERAL FINANCIAL COMPLIANCE SECTION:	
Schedule of Expenditures of Federal Awards	72
Notes to the Schedule of Expenditures of Federal Awards	73

CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12

OFFICIALS

Regional Superintendent
(current and during the audit period)Mrs. Carol Steinman

Assistant Regional Superintendent
(current and during the audit period) Mr. Phil Rogers

Offices are located at:

Clay County Courthouse
Louisville, IL 62858

301 South Cross
Robinson, IL 62454

204 West Washington, Suite 3
Newton, IL 62448

1100 State Street
Lawrenceville, IL 62439

Richland County Courthouse
Olney, IL 62450

231 S. Main
Louisville, IL 62858

REGIONAL OFFICE OF EDUCATION #12

COMPLIANCE REPORT SUMMARY

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

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

Details of findings are presented in a separately tabbed section.

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)		
06-01	12-13	Noncompliance with state mandates.

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

There were no findings for the year ended June 30, 2006.

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

There were no prior findings not repeated.

PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

There were no prior findings.

EXIT CONFERENCE

An informal exit conference was held on August 18, 2006. Attending were Carol Steinman, Regional Superintendent and Crystal Smith, accountant of Regional Office of Education #12 and D. Raif Perry, CPA, Nathan Earnest, staff accountant, and Janell Dreyfus, staff accountant of West and Company, LLC.

The responses to the recommendations were provided by Crystal Smith in an e-mail dated December 12, 2006.

FINANCIAL STATEMENT REPORT

Financial Presentation Examined

A financial statement audit consists of an audit of an agency's financial statements, including an examination of the underlying books and records, to determine whether those financial statements are fairly presented in accordance with generally accepted accounting principles.

The financial statement report is comprised of the following:

A Summary section providing a brief overview of the financial statement audit.

Auditors' Reports

- An Auditors' Reports section containing statements by the auditors on the scope and results of their audit, as required by applicable professional standards.
- A Findings & Recommendations section containing sequentially numbered findings in which the auditors note any instances of nonconformity by the agency with applicable laws, rules, regulations, grant agreements, and other standards governing its conduct that were found by the auditors in the course of their review. All findings are discussed with the agency officials during the post audit process.

Findings and Recommendations

Each finding generally contains: a description of the condition found; a recommendation by the auditors for corrective action; a response by the agency either accepting or rejecting the auditors' finding; and a description of the agency's plan for addressing the problem.

Financial Statements

- A Financial Statement section generally consisting of:
 - Management's discussion and analysis (MD&A) as required supplementary information;
 - Basic financial statements (entity-wide financial statements, fund financial statements, and notes to the financial statements);
 - Required supplementary information other than MD&A.

Additional financial statements may be presented for agencies with special reporting requirements.

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of the Clay, Crawford, Jasper, Lawrence and Richland Counties Regional Office of Education #12 was performed by West & Company, LLC.

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

WEST & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS
&
CONSULTANTS

MEMBERS

E. LYNN FREESE
RICHARD C. WEST
KENNETH L. VOGT
BRIAN E. DANIELL
JANICE K. ROMACK
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INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clay, Crawford, Jasper, Lawrence and Richland Counties Regional Office of Education #12, as of and for the year ended June 30, 2006, which collectively comprise the Regional Office of Education #12's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Clay, Crawford, Jasper, Lawrence and Richland Counties Regional Office of Education #12's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Clay, Crawford, Jasper, Lawrence and Richland Counties Regional Office of Education #12, 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 August 18, 2006 on our consideration of the Clay, Crawford, Jasper, Lawrence and Richland Counties Regional Office of Education #12's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Illinois Municipal Retirement Fund – Schedule of Funding Progress on pages 17A through 17F and 43 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 Clay, Crawford, Jasper, Lawrence and Richland Counties Regional Office of Education #12's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Disbursements to School District Treasurers and Other Entities – Distributive Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities – Distributive Fund, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

West + Company, LLC

August 18, 2006

WEST & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS
&
CONSULTANTS

MEMBERS

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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clay, Crawford, Jasper, Lawrence and Richland Counties Regional Office of Education #12, as of and for the year ended June 30, 2006, which collectively comprise the Regional Office of Education #12's basic financial statements and have issued our report thereon dated August 18, 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 Clay, Crawford, Jasper, Lawrence and Richland Counties Regional Office of Education #12's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clay, Crawford, Jasper, Lawrence and Richland Counties Regional Office of Education #12's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance which we reported on the accompanying Schedule of Findings and Questioned Costs as item 06-01.

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.

West + Company, LLC

August 18, 2006

WEST & COMPANY, LLC

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of the Clay, Crawford, Jasper, Lawrence and Richland Counties Regional Office of Education #12 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 Clay, Crawford, Jasper, Lawrence and Richland Counties Regional Office of Education #12's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Clay, Crawford, Jasper, Lawrence and Richland Counties Regional Office of Education #12's management. Our responsibility is to express an opinion on the Clay, Crawford, Jasper, Lawrence and Richland Counties Regional Office of Education #12's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Clay, Crawford, Jasper, Lawrence and Richland Counties Regional Office of Education #12's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Clay, Crawford, Jasper, Lawrence and Richland Counties Regional Office of Education #12's compliance with those requirements.

In our opinion, the Clay, Crawford, Jasper, Lawrence and Richland Counties Regional Office of Education #12 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.

Internal Control Over Compliance

The management of the Clay, Crawford, Jasper, Lawrence and Richland Counties Regional Office of Education #12 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 Clay, Crawford, Jasper, Lawrence and Richland Counties Regional Office of Education #12's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

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

West + Company, LLC

August 18, 2006

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2006

Section I - Summary of Auditors' Results

Financial statements

Type of auditors' report issued:

UNQUALIFIED

Internal control over financial reporting:

- material weakness(es) identified? yes X no
- Reportable condition(s) identified that are not considered to be material weakness(es)? yes X none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- material weakness(es) identified? yes X no
- Reportable condition(s) identified that are not considered to be material material weakness(es)? yes X none reported

Type of auditors' report issued on compliance for major programs:

UNQUALIFIED

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

 yes X no

CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2006

Section I - Summary of Auditors' Results (concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of federal program or cluster</u>
84.010A	System of Support (RESPRO) - Title I

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

Auditee qualified as a low-risk auditee? yes no

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2006**

Section II: Financial Statement Findings

FINDING NO. 06-01 – Controls Over Compliance with Laws and Regulations (Repeat of 05-01)

Criteria/Specific 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 her educational service region, and if she finds any irregularities in them, to report them at once, in writing, to the trustees in Class II county school units, to the respective school boards of those school districts which form a part of a Class II county school unit but which are not subject to the jurisdiction of the trustees of schools of any township in which any such district is located, or to the respective school boards of the district in Class I county school units whose duty it shall be to take immediately such action as the case demands. [This mandate has existed in its current form since at least 1953.]

- B. 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 her 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.]

Conditions:

- A. The Regional Office of Education #12 is not examining all books, accounts, and vouchers of every school treasurer in her educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school districts in her region. In addition, the Regional Office gets a spreadsheet from the Illinois State Board of Education (ISBE) that outlines all of the school districts and their audit exceptions, if any. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

- B. The Regional Office of Education #12 did not present at the September county board meetings and as nearly quarterly thereafter, a report of all her acts including a list of all the schools visited and dates of visitation. However, the Regional Office submits monthly expenditure reports to each county clerk and board chairperson. Quarterly billings are also sent to the clerks and board chairpersons in addition to the finance chairperson. The Regional Office also submits a budget request each September to each county board, as well as a copy of its annual audit.

Effect:

The Regional Office of Education #12 did not comply with statutory requirements.

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2006**

Section II: Financial Statement Findings

FINDING NO. 06-01 – Controls Over Compliance with Laws and Regulations (Repeat of 05-01)
(Continued)

Causes:

- A. The level of financial review performed by the Regional Superintendent is not adequate to comply with the statute.
- B. The Regional Superintendent does present an annual report to the board, but she was unaware of the specific details required to be included in the report.

Auditors' Recommendations:

- A. The Regional Office of Education #12 should comply with the requirements of 105 ILCS 5/3-14.11.
- B. The Regional Superintendent should attend the county board meetings in September and quarterly thereafter, and present a report of all her acts including a list of all the schools visited and dates of visitation as required by 105 ILCS 5/3-5.

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

Management's Responses:

- 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 Superintendent will 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 her acts as county superintendent, including a list of all schools visited with the dates of visitation.

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2006**

Section III: Federal Award Findings

No findings were noted for the year ended June 30, 2006.

CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12

CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
For the year ended June 30, 2006

Corrective Action Plan

Finding No.: 06-01

Conditions:

- A. The Regional Office of Education #12 is not examining all books, accounts, and vouchers of every school treasurer in his educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school districts in her region. In addition, the Regional Office gets a spreadsheet from the Illinois State Board of Education (ISBE) that outlines all of the school districts and their audit exceptions, if any. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.
- B. The Regional Office of Education #12 did not present at the September county board meetings and as nearly quarterly thereafter, a report of all her acts including a list of all the schools visited and dates of visitation. However, the Regional Office submits monthly expenditure reports to each county clerk and board chairperson. Quarterly billings are also sent to the clerks and board chairpersons in addition to the finance chairperson. The Regional Office also submits a budget request each September to each county board, as well as a copy of its annual audit.

Plan:

- A. We will seek a legislative solution to this and other obsolete statutes.
- B. The Regional Superintendent will 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 her acts as county superintendent, including a list of all schools visited with the dates of visitation.

Anticipated Date of Completion:

- A. Ongoing
- B. September 11, 2006

Name of Contact Person:

Carol Steinman, Regional Superintendent

CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2006

<u>Finding number</u>	<u>Condition</u>	<u>Current Status</u>
05-01	A. The Regional Office of Education #12 did not notify the presidents of boards of trustees and the clerks and secretaries of school districts, on or before September 30 of the dates of distribution of monies by her to the school treasurer.	Resolved
	B. The Regional Office of Education #12 is not examining all books, accounts, and vouchers of every school treasurer in her educational service area at least once each year.	Repeated as Finding 06-01

1. The Board of Directors has approved the financial statements for the year ended 31 December 2014, which are set out on pages 10 to 15. The financial statements are prepared in accordance with the Companies Act 2006 and the Financial Reporting Code for the UK public interest entities. The financial statements are prepared on a going concern basis.

2. The financial statements are prepared in accordance with the Companies Act 2006 and the Financial Reporting Code for the UK public interest entities. The financial statements are prepared on a going concern basis.

3. The financial statements are prepared in accordance with the Companies Act 2006 and the Financial Reporting Code for the UK public interest entities. The financial statements are prepared on a going concern basis.

4. The financial statements are prepared in accordance with the Companies Act 2006 and the Financial Reporting Code for the UK public interest entities. The financial statements are prepared on a going concern basis.

5. The financial statements are prepared in accordance with the Companies Act 2006 and the Financial Reporting Code for the UK public interest entities. The financial statements are prepared on a going concern basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2006**

The Regional Office of Education #12 for the Counties of Clay, Crawford, Jasper, Lawrence and Richland 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. Readers are encouraged to consider the information in conjunction with the Regional Office's financial statements that follow.

2006 Financial Highlights

- Within the Governmental Funds, the General Fund revenues decreased by \$198,762 from \$952,791 in fiscal year 2005 to \$754,029 in fiscal year 2006. Revenues from local sources, state sources and on-behalf payments all decreased. General Fund expenditures decreased by \$161,301 from \$1,006,825 in FY05 to \$845,524 in FY06. Much of this decrease was for salaries and benefits and purchased services.
- Within the Governmental Funds, the Special Revenue Funds revenue decreased by \$198,818 from \$2,136,690 in FY05 to \$1,937,872 in FY06. The Special Revenue Funds expenditures decreased by \$139,393 from \$2,195,170 in FY05 to \$2,055,777 in FY06. The decrease in revenue was due to an overall decrease in funding for grant programs. Because of the decrease in funding available, the Regional Office of Education #12 was forced to cut expenditures.

Using This Report

This 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 Regional Office's financial activities.
- The Government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Regional Office of Education as a whole and present an overall view of the office's finances.
- Fund financial statements report the Regional Office's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the financial statements provide additional information that is needed for a full understanding of the data provided in the basic financial statements.
- Required supplementary information further explains and supports the financial statements and supplementary information provides detail information about the non-major funds.

Reporting the Office as a Whole

The Statement of Net Assets and the Statement of Activities

The Government-wide statements report information about the Regional Office of Education #12 as a whole. The Statement of Net Assets includes all of the assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid, using accounting methods similar to those used by private-sector companies.

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

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

The Government-wide financial statements present all of the Office's activities as governmental activities. Local, state and federal monies finance most of these activities.

The fund financial statements provide detailed information about the Regional Office's funds, focusing on its most significant or "major" funds. Funds are accounting devices that allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by state law. The Regional Office of Education #12 established other funds to control and manage money for particular purposes.

The Office has two kinds of funds:

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

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

2. Fiduciary funds are used to account for assets held by the Regional Office of Education #12 in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

The fiduciary funds required financial statements include a Statement of Fiduciary Net Assets.

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve when examined over time as one indicator of the financial position of the Regional Office. The net assets at the end of FY06 totaled approximately \$811,448. At the end of FY05, the net assets were approximately \$1,043,984. The analysis that follows provides a summary of the office's governmental net assets at June 30, 2006 and 2005.

CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities		Total	
	2006	2005	2006	2005
Current assets	\$ 757,579	\$ 999,856	\$ 757,579	\$ 999,856
Noncurrent assets				
Capital assets, net	95,957	119,093	95,957	119,093
Total assets	853,536	1,118,949	853,536	1,118,949
Current liabilities	42,088	74,965	42,088	74,965
Total liabilities	42,088	74,965	42,088	74,965
Net assets:				
Invested in capital assets	95,957	119,093	95,957	119,093
Restricted for teacher				
professional development	101,445	84,280	101,445	84,280
Unrestricted	614,046	840,611	614,046	840,611
Total net assets	\$ 811,448	\$ 1,043,984	\$ 811,448	\$ 1,043,984

The Regional Office of Education #12's net assets decreased by \$232,536 from FY05. The decrease occurred primarily in the Governmental Funds as a result of grant reductions in vital services and increases in salaries and benefits expense and supplies and materials expense. 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 years ended June 30, 2006 and 2005.

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:				
Program revenues:				
Operating grants and contributions	\$ 1,943,531	\$ 2,144,713	\$ 1,943,531	\$ 2,144,713
General revenues:				
Local sources	531,794	699,082	531,794	699,082
On-behalf payments	194,031	229,737	194,031	229,737
Interest	22,545	15,949	22,545	15,949
Total revenues	<u>2,691,901</u>	<u>3,089,481</u>	<u>2,691,901</u>	<u>3,089,481</u>
Expenses:				
Programs expenses:				
Salaries and benefits	1,518,337	1,429,384	1,518,337	1,429,384
Purchased services	879,147	1,010,909	879,147	1,010,909
Supplies and materials	255,550	179,469	255,550	179,469
Capital outlay	-	-	-	-
Other objects	25,497	56,827	25,497	56,827
Payments to other governments	1,071	254,965	1,071	254,965
Depreciation	50,804	55,713	50,804	55,713
Administrative expenses:				
On-behalf payments - state	194,031	229,737	194,031	229,737
Total expenses	<u>2,924,437</u>	<u>3,217,004</u>	<u>2,924,437</u>	<u>3,217,004</u>
Changes in net assets	(232,536)	(127,523)	(232,536)	(127,523)
Net assets, beginning of year	<u>1,043,984</u>	<u>1,171,507</u>	<u>1,043,984</u>	<u>1,171,507</u>
Net assets, end of year	<u>\$ 811,448</u>	<u>\$ 1,043,984</u>	<u>\$ 811,448</u>	<u>\$ 1,043,984</u>

Governmental Activities

Revenues for governmental activities were \$2,691,901 and expenditures were \$2,924,437. The Regional Office of Education #12 experienced a decrease in revenues during FY06. The loss of three federal grants was the main cause of this decrease. Because of this loss of funding, the Regional Office was forced to cut expenditures. However, the reduction in expenditures was not enough to off-set the decrease in revenues and net assets were further reduced. Management realizes that this trend cannot continue and is making every effort to reduce expenditures without compromising the level of services provided by the Regional Office of Education #12.

Financial Analysis of the Regional Office of Education #12 Funds

As previously noted, the Regional Office of Education #12 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Office's Governmental Funds reported combined fund balances of \$715,491 in FY06 and \$924,891 in FY05. The primary reason for the decrease in combined fund balances in FY06 and FY05 was the decrease in revenues.

Governmental Fund Highlights:

- The loss of the Technology Enhancing Education and Federal Special Education-IDEA Discretionary grants has greatly impacted operations. New funding from the Early Childhood Block Grant and additional RESPRO funding has helped to reduce the impact.
- The delay in some grant funding payments continues to be a financial hardship.
- There was an increase in the state aid foundation level to \$5,164 per student from \$4,964. This increase helped to maintain services for the Regional Safe Schools Program and Truant Alternative Optional Education Program.

Budgetary Highlights:

The ROE #12 annually adopts budgets for certain grants, which are submitted to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board. Over the course of the year, the ROE #12 amended several of its grant budgets to reflect adjustments in revenue and expenditures associated with changes in funding from the federal and state sources or for additional services needed and provided to the local school districts. A schedule showing the original and final grant budget amounts compared to the ROE's actual financial activity is included in the supplementary information section of this report on page 48 and pages 55 through 61.

Capital Assets

Capital Assets of the Regional Office of Education #12 include office equipment, computers, audio-visual equipment and office furniture. The Regional Office of Education #12 maintains an inventory of capital assets that has accumulated over time. The increase for FY06 was \$27,668 which came as a result of funding for the purchase of equipment provided to the Regional Office of Education #12. No assets were disposed of during this fiscal year. In addition, the Regional Office of Education #12 has adopted a depreciation schedule that reflects the level of Net Governmental Activities Capital Assets.

Economic Factors and Next Year's Budget

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

- The State of Illinois Foundation level used in the calculation of General State Aid has increased to \$5,334 per student.
- Additional Early Childhood funding was received for FY07 which will positively effect operations.
- The Regional Office has been informed that RESPRO funding will be cut by 20 percent for FY07.
- Several grants have remained near or at previous levels.
- County Board support of the Regional Office of Education #12 for the year ended June 30, 2007 will remain at the same level as FY 06.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the Regional Offices' citizens, taxpayers, clients and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the Regional Office of Education #12, 103 W. Main Street, Olney, IL 62450.

BASIC FINANCIAL STATEMENTS

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**STATEMENT OF NET ASSETS
June 30, 2006**

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash	\$ 739,821
Due from other governments	<u>17,758</u>
Total current assets	757,579
Noncurrent assets:	
Capital assets, net	<u>95,957</u>
Total assets	<u>853,536</u>
LIABILITIES	
Current liabilities:	
Accounts payable	26,302
Unearned revenue	<u>15,786</u>
Total liabilities	<u>42,088</u>
NET ASSETS	
Invested in capital assets	95,957
Restricted for teacher professional development	101,445
Unrestricted	<u>614,046</u>
Total net assets	<u><u>\$ 811,448</u></u>

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

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**STATEMENT OF ACTIVITIES
For the year ended June 30, 2006**

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Net (Expenses) Revenue and Changes in Net Assets</u> Governmental Activities
Governmental Activities:			
Instructional services:			
Salaries and benefits	\$ 1,518,337	\$ 1,155,573	\$ (362,764)
Purchased services	879,147	532,754	(346,393)
Supplies and materials	255,550	218,378	(37,172)
Capital outlay	-	20,683	20,683
Payments to other governments	1,071	299	(772)
Other objects	25,497	15,844	(9,653)
Depreciation	50,804	-	(50,804)
Administrative:			
On-behalf payments	194,031	-	(194,031)
Total governmental activities	<u>\$ 2,924,437</u>	<u>\$ 1,943,531</u>	<u>(980,906)</u>
General revenues:			
Local sources			531,794
On-behalf payments			194,031
Interest			22,545
Total general revenues			<u>748,370</u>
Change in net assets			(232,536)
Net assets - beginning			<u>1,043,984</u>
Net assets - ending			<u>\$ 811,448</u>

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

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006**

	<u>General Fund</u>	<u>Education Fund</u>	<u>Institute Fund</u>
ASSETS			
Cash	\$ 266,437	\$ 353,467	\$ 101,445
Due from other governments	<u>-</u>	<u>17,758</u>	<u>-</u>
Total assets	<u>\$ 266,437</u>	<u>\$ 371,225</u>	<u>\$ 101,445</u>
LIABILITIES			
Accounts payable	\$ 7,082	\$ 19,220	\$ -
Unearned revenue	<u>-</u>	<u>14,748</u>	<u>-</u>
Total liabilities	<u>7,082</u>	<u>33,968</u>	<u>-</u>
FUND BALANCES			
Unreserved, reported in:			
General fund	259,355	-	-
Special revenue funds	<u>-</u>	<u>337,257</u>	<u>101,445</u>
Total fund balances	<u>259,355</u>	<u>337,257</u>	<u>101,445</u>
Total liabilities and fund balances	<u>\$ 266,437</u>	<u>\$ 371,225</u>	<u>\$ 101,445</u>

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

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**BALANCE SHEET (continued)
GOVERNMENTAL FUNDS
June 30, 2006**

	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash	\$ 18,472	\$ 739,821
Due from other governments	-	17,758
	<u> </u>	<u> </u>
Total assets	<u>\$ 18,472</u>	<u>\$ 757,579</u>
LIABILITIES		
Accounts payable	\$ -	\$ 26,302
Unearned revenue	1,038	15,786
	<u> </u>	<u> </u>
Total liabilities	<u>1,038</u>	<u>42,088</u>
FUND BALANCES		
Unreserved, reported in:		
General fund	-	259,355
Special revenue funds	17,434	456,136
	<u> </u>	<u> </u>
Total fund balances	<u>17,434</u>	<u>715,491</u>
Total liabilities and fund balances	<u>\$ 18,472</u>	<u>\$ 757,579</u>

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

CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total fund balances-governmental funds	\$ 715,491
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	<u>95,957</u>
Net assets of governmental activities	<u>\$ 811,448</u>

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

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2006**

	<u>General Fund</u>	<u>Education Fund</u>	<u>Institute Fund</u>
Revenues:			
Local sources	\$ 478,981	\$ 10,244	\$ 32,612
State sources	61,916	1,325,381	-
Federal sources	-	550,634	-
On-behalf payments	194,031	-	-
Interest income	19,101	2,086	1,069
Total revenues	<u>754,029</u>	<u>1,888,345</u>	<u>33,681</u>
Expenditures:			
Education:			
Salaries and benefits	303,533	1,211,153	-
Purchased services	313,028	537,753	16,516
Supplies and materials	20,759	232,026	-
Capital outlay	4,327	21,191	-
Payments to other governments	836	235	-
Other objects	9,010	15,979	-
On-behalf payments	194,031	-	-
Total expenditures	<u>845,524</u>	<u>2,018,337</u>	<u>16,516</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(91,495)</u>	<u>(129,992)</u>	<u>17,165</u>
Other financing sources (uses):			
Transfers in	12,634	-	-
Transfers out	<u>(1,475)</u>	<u>(12,634)</u>	<u>-</u>
Total other financing sources (uses)	<u>11,159</u>	<u>(12,634)</u>	<u>-</u>
Net change in fund balances	(80,336)	(142,626)	17,165
Fund balances, beginning of year	<u>339,691</u>	<u>479,883</u>	<u>84,280</u>
Fund balances, end of year	<u>\$ 259,355</u>	<u>\$ 337,257</u>	<u>\$ 101,445</u>

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

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (continued)
GOVERNMENTAL FUNDS
For the year ended June 30, 2006**

	Other Nonmajor Funds	Total Governmental Funds
Revenues:		
Local sources	\$ 9,957	\$ 531,794
State sources	5,600	1,392,897
Federal sources	-	550,634
On-behalf payments	-	194,031
Interest income	289	22,545
Total revenues	15,846	2,691,901
Expenditures:		
Education:		
Salaries and benefits	3,651	1,518,337
Purchased services	11,850	879,147
Supplies and materials	2,765	255,550
Capital outlay	2,150	27,668
Payments to other governments	-	1,071
Other objects	508	25,497
On-behalf payments	-	194,031
Total expenditures	20,924	2,901,301
Excess (deficiency) of revenues over (under) expenditures	(5,078)	(209,400)
Other financing sources (uses):		
Transfers in	1,475	14,109
Transfers out	-	(14,109)
Total other financing sources (uses)	1,475	-
Net change in fund balances	(3,603)	(209,400)
Fund balances, beginning of year	21,037	924,891
Fund balances, end of year	\$ 17,434	\$ 715,491

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

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**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	\$ (209,400)
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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	\$ 27,668	
Depreciation expense	<u>(50,804)</u>	<u>(23,136)</u>

Change in net assets of governmental activities	<u>\$ (232,536)</u>
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The notes to the financial statements are an integral part of this statement.

CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2006

	<u>Agency Funds</u>
ASSETS	
Due from other governments	<u>\$ 1,994,326</u>
Total assets	<u><u>\$ 1,994,326</u></u>
LIABILITIES	
Due to other governments	<u>\$ 1,994,326</u>
Total liabilities	<u><u>\$ 1,994,326</u></u>

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

NOTES TO FINANCIAL STATEMENTS

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Regional Office of Education #12's accounting policies conform to generally accepted accounting principles that are appropriate to local governmental units of this type.

A. Reporting Entity

The Regional Office of Education #12 was created by Illinois Public Act 76-735, as amended, effective August 8, 1995. The region encompasses Clay, Crawford, Jasper, Lawrence and Richland counties.

The regional superintendent of schools is the chief administrative officer of the region and is elected to the position for a four-year term. The regional superintendent is responsible for the supervision and control of the school districts.

The superintendent's responsibilities for administering the school educational service region programs include, but are not limited to, providing directions to teachers and school officials on science, art and teaching methods; implementing the State Board of Education's Policy Programs; encouraging camaraderie among teachers through the teachers' institute; making public notice of unfilled teaching positions within the region; and insuring of the safety, health and welfare of the students in the region by periodically inspecting the school buildings and insuring that the bus drivers have valid drivers licenses and are properly trained to operate the school buses. Further, the superintendent receives an allocation of school funds from the State Board of Education and apportions these funds to the school districts in accordance with the State Board of Education's formula.

The Regional Office of Education #12 derives its oversight power and authority over the school districts from the School Code and is responsible for its own fiscal and budgetary matters. The Regional Office of Education #12 exercises no oversight responsibility on financial interdependency, selection of governing authority, designation of management or the ability to significantly influence the operations of any other outside agencies. Control or dependency is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing order. Therefore, no other agency has been included as a component unit in the Regional Office of Education #12's financial statements. In addition, the Regional Office of Education #12 is not aware of any entity that would exercise oversight as to result in the Regional Office of Education #12 being considered a component unit of the entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12

NOTES TO FINANCIAL STATEMENTS

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Government-wide and Fund Financial Statements** (Continued)

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

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

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Governmental fund financial statements distinguish between major and nonmajor funds. Major funds are funds whose revenues, expenditures, assets or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental funds. Any other governmental fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users. Furthermore, the General Fund is always a major fund. Each major fund is reported as a separate column in the basic fund financial statements. All funds that do not meet any of the above criteria are considered nonmajor funds and consolidated into one column reported as "Other Nonmajor Funds."

CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The government reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Regional Office of Education #12 and is used to account for all financial resources that are not legally restricted for expenditure for specified purposes. The following funds are included in the General Fund:

ROE/ISC Operations - To account for the funding of activities of the Regional Office of Education #12 pursuant to the Illinois Administrative Code which mandates the Regional Office to provide professional development activities in the fundamental learning areas, gifted education, administrators' academy, school improvement, technology and other activities based upon the needs of local school districts and State and federal mandates.

Special Projects - To account for monies used to provide numerous services to the administrators, staff and students within the Regional Office of Education #12.

Technology Hub - To account for monies used to update/purchase technology items for the Regional Office of Education #12's offices and schools within the five-county area.

Office - To account for the expenditures and payroll for the five Regional Office of Education #12 offices.

Local - To account for local revenue from registration fees and various other sources. These funds are used for professional development meetings and workshops, conferences to provide hands-on learning curriculum opportunities, teams to focus on integration of the Illinois Learning Standards, activities to promote creative thinking, problem solving, and team building activities, enrichment courses for students in kindergarten through sixth grade, and continuing education courses.

Major Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. Major special revenue funds include the following:

Education - This fund accounts for the State and federal grant monies received for administering numerous grant awards which include:

Truants Alternative/Optional Education - To account for grant monies received to provide truancy prevention programming and to monitor truants.

CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Major Special Revenue Funds (Continued)

Education (Continued)

Early Childhood Block Grant - To account for grant monies received to provide early childhood education to area three and four year old children.

Title IV Safe and Drug Free Schools - To account for grant monies received to provide safe school professional development activities to educators throughout the State of Illinois.

Regional Safe Schools - To account for grant monies received for expenditures and administration of the regional safe schools program.

Bridges Extended Learning Opportunities - To account for grant monies received to provide program activities/tutoring to K-8 students in Jasper Community Unit School District #1.

Technology - Learning Technology Centers - To account for grant monies received from the Illinois State Board of Education to provide technology direction and support for Area 6 North schools.

Mathematics & Science Partnership - To increase the academic achievement of students in mathematics and science by enhancing the content knowledge and teaching skills of classroom teachers.

McKinney Ed. For Homeless Children - To account for grant monies received and expended assisting school districts in identifying and providing assistance to at-risk students.

HIV - To account for funds to provide professional development for administrators, staff and teachers for HIV awareness.

System of Support (RESPRO) - To provide improvement support to schools in academic early warning and academic watch status as well as to assist other schools whose performance makes placement on the lists in the near future likely.

Title IV Innovative Programs LEA Leadership - To account for the federal grant monies received to provide innovative program activities to the educators throughout the State of Illinois.

CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Major Special Revenue Funds (Continued)

Institute - To account for the stewardship of the assets held in trust for the benefit of the teachers. Fees are collected from registration of teachers' certificates of qualification. Monies are expended to conduct teachers' institutes, conferences and workshops. All funds generated remain restricted until expended only on the aforementioned activities.

The government reports the following nonmajor governmental funds:

Nonmajor Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. Nonmajor special revenue funds include the following:

General Education Development - To account for the administration of the GED testing program. Monies are received from testing and diploma fees.

School Bus Transportation - To account for the stewardship of the assets held in trust in connection with the Bus Driver Training Program.

Supervisory - To account for the monies received from the State of Illinois for expenditures incurred providing supervisory services for the region.

Regional Board of Trustees - To account for monies received from individuals filing petitions requesting change of boundary hearings with the Regional Board of School Trustees. Monies are expended to cover hearing expenses.

The government reports the following fiduciary funds:

Agency Funds - Agency funds are used to account for assets held by the Regional Office of Education #12 in a trustee capacity or as an agent for other governments. These funds are custodial in nature and do not involve the measurement of the results of operations. The amounts due to the outside organizations are equal to the assets held. Included among these funds are:

Distributive - To account for monies received from the State for disbursement to other funds or school districts.

Payroll - To process employee wages and benefits/deductions.

CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Investments

State regulations require that Regional Office of Education #12 deposit funds under its control into accounts insured by the federal government, secured by substantial collateral, or into pooled investment trusts. All funds not needed for immediate disbursement are maintained in interest bearing accounts.

Statutes authorize the Regional Office of Education #12 to make deposits or invest in obligations of states and their political subdivisions, savings accounts, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Money Market Fund.

2. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

3. Capital Assets

Capital assets are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Capital Assets (Continued)

Capital assets are depreciated using straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building improvements	10-20
Office equipment	5-10
Computer equipment	5

In the fund financial statements, fixed assets used in governmental operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

4. Compensated Absences

It is Regional Office of Education #12's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. However, if at the end of the fiscal year the vacation and sick days are still unused, then they will be lost by the employees. Therefore, there were no accrued compensated absences as of June 30, 2006.

5. Equity Classifications

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 "invested in capital assets."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved.

CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. New Accounting Pronouncement

The Regional Office of Education #12 has implemented the following new accounting pronouncements issued by the GASB effective for the fiscal year beginning July 1, 2005: Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, Statement No. 46, *Net Assets Restricted by Enabling Legislation an Amendment of GASB Statement No. #34*, and Statement No. 47, *Accounting for Termination Benefits*. The Statements had no effect on the Regional Office of Education #12's net assets or changes in net assets.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains that "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." The details of this \$(23,136) difference are as follows:

Capital outlay - assets owned by the Regional Office	\$ 27,668
Depreciation expense	<u>(50,804)</u>
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (23,136)</u>

3. BUDGETS AND BUDGETARY ACCOUNTING

The Regional Office of Education #12 did not adopt annual budgets and is not legally required to do so for all funds under its control, and annual budgets prepared were not based upon the same operating period. Therefore, budgetary reports comparing budgeted to actual expenditures are not presented.

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

NOTES TO FINANCIAL STATEMENTS

3. BUDGETS AND BUDGETARY ACCOUNTING (Continued)

Budgets relating to programs funded by grants from the Illinois State Board of Education are prepared and submitted to the State Board as part of the grant awards process. The State Board must also approve amendments to these budgets. Grant project budgets are based on the award period. Budget versus actual statements have been presented for the following grants: ROE/ISC Operations, Truants Alternative/Optional Education, Early Childhood Block Grant, Title IV Safe and Drug Free Schools, Regional Safe Schools, Bridges Extended Learning Opportunities, and Technology-Learning Technology Centers.

4. USE OF ESTIMATES

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

5. AGREEMENTS WITH SCHOOL DISTRICTS WITHIN THE REGION

The Special Projects Fund, a General Fund, was established by the regional superintendent upon receiving agreements with the school boards of all school districts within Clay, Crawford, Jasper, Lawrence and Richland counties. Interest on Distributive Fund receipts are transferred to the Special Projects Fund and are the primary source of revenues for the fund.

6. DEPOSITS

At June 30, 2006, the carrying amount of the Regional Office of Education #12's cash deposits was \$739,821 and the bank balance was \$1,504,449. Of the total bank balance, \$461,233 was secured by federal depository insurance and \$1,043,216 was collateralized with securities held by the pledging financial institution's trust department in the Regional Office of Education #12's name.

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$341,110	\$ 27,668	\$ -	\$ 368,778
Less accumulated depreciation for:				
Machinery and equipment	(222,017)	(50,804)	-	(272,821)
Governmental activities capital assets, net	<u>\$ 119,093</u>	<u>\$ (23,136)</u>	<u>\$ -</u>	<u>\$ 95,957</u>

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

NOTES TO FINANCIAL STATEMENTS

7. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of Regional Office of Education #12 as follows:

Governmental activities:	
Instructional services:	
Expenditures:	
Depreciation	<u>\$ 50,804</u>

8. RETIREMENT FUND COMMITMENTS

A. Teachers' Retirement System of the State of Illinois

The Regional Office of Education #12 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the City of Chicago.

The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 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 this 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 0.8 percent.

The State of Illinois makes contributions directly to TRS on behalf of the Regional Office of Education #12's TRS-covered employees.

CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT FUND COMMITMENTS (Continued)

A. Teachers' Retirement System of the State of Illinois (Continued)

On-behalf Contributions - The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #12. For the year ended June 30, 2006, State of Illinois contributions were made based on 7.06 percent of creditable earnings, and the Regional Office of Education #12 recognized revenue and expenditures of \$55,740 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 (\$84,709) and 13.98 percent (\$95,121) respectively.

The Regional Office of Education #12 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 \$4,583. Contributions for the years ending June 30, 2005 and June 30, 2004 were \$4,178 and \$3,972, respectively.

Federal and Trust Fund Contributions - When TRS members are paid from federal and trust funds administered by the Regional Office of Education #12, there is a statutory requirement for the Regional Office of Education #12 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 to 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, 2006, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2006, salaries totaling \$79,770 were paid from federal and trust funds that required employer contributions of \$5,632. For the years ended June 30, 2005 and June 30, 2004, required Regional Office of Education #12 contributions were \$9,476 and \$6,125, respectively.

Early Retirement Option - The Regional Office of Education #12 is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member and under which ERO program the member retires.

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

CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12

NOTES TO FINANCIAL STATEMENTS

8. **RETIREMENT FUND COMMITMENTS** (Continued)

A. **Teachers' Retirement System of the State of Illinois** (Continued)

meet certain conditions and retire on or before July 1, 2007. If members do not meet these 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 service (unless the member qualifies for the 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 maximums apply when the member is age 55 at retirement.

For the years ended June 30, 2006, 2005, and 2004, the Regional Office of Education #12 paid no employer contributions under the Pipeline ERO and Modified ERO programs.

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2005. The report for the year ended June 30, 2006, is expected to be available in late 2006.

The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P. O. Box 19253, 2815 West Washington Street, Springfield, IL 62794-9253. The most current report is also available on the TRS Web site at trs.illinois.gov.

B. **Illinois Municipal Retirement Fund**

The Regional Office of Education #12's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system, 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.

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT FUND COMMITMENTS (Continued)

B. Illinois Municipal Retirement Fund (Continued)

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by state statute. The Regional Office of Education #12 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2005 was 10.99 percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2005 was 5 years.

For December 31, 2005, the employer's annual pension cost of \$57,073 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) 7.5 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 4.0 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 11.6 percent per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3 percent 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 percent 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	\$ 57,073	100%	\$ --
12/31/04	113,224	100%	-
12/31/03	78,371	100%	-
12/31/02	53,123	100%	-
12/31/01	85,744	100%	-
12/31/00	91,201	100%	-
12/31/99	98,561	100%	-
12/31/98	81,666	100%	-
12/31/97	64,258	100%	-
12/31/96	56,267	100%	-

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

NOTES TO FINANCIAL STATEMENTS

11. DUE TO/FROM OTHER GOVERNMENTS

The Regional Office of Education #12's Distributive Fund and various grant programs have funds due to and due from various other governmental units which consist of the following:

Due From Other Governments

Education Fund

Illinois State Board of Education	\$ 10,995
Regional Office of Education #2	6,763

Fiduciary Fund

Illinois State Board of Education	<u>1,994,326</u>
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Total	<u><u>\$2,012,084</u></u>
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Due To Other Governments

Fiduciary Fund

Local School Districts	<u><u>\$1,994,326</u></u>
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12. ON-BEHALF PAYMENTS

The Regional Office of Education #12 has received on-behalf payments for employee salaries and benefits from the State of Illinois for the following items:

Regional Superintendent salary	\$ 84,737
Regional Superintendent benefits (includes State paid insurance)	18,093
Assistant Regional Superintendent salary	34,954
Assistant Regional Superintendent benefits (includes State paid insurance)	507
TRS pension contributions	<u>55,740</u>
	<u><u>\$194,031</u></u>

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

The on-behalf payments are reflected as revenues and expenditures of the General Fund.

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

NOTES TO FINANCIAL STATEMENTS

13. RISK MANAGEMENT - CLAIMS AND JUDGMENTS

The Regional Office of Education #12 is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation; and natural disasters. The Regional Office of Education #12 is covered by commercial insurance to cover these risks of loss. No settlements have exceeded insurance coverage in the current or three previous years.

14. CONTINGENCIES

The Regional Office of Education #12 has received funding from Federal and State grants in the current and prior years which are subject to audits by granting agencies. The Regional Office of Education #12 believes any adjustments that may arise will be insignificant to the Regional Office of Education #12's operations.

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

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/30/05	\$ 1,948,864	\$ 2,027,474	\$ 78,610	96.12%	\$ 519,319	15.14%
12/31/04	1,835,454	1,810,446	(25,008)	101.38%	953,869	-
12/31/03	1,690,380	1,877,935	187,555	90.01%	1,299,680	14.43%
12/31/02	1,749,799	1,801,766	51,967	97.12%	1,338,105	3.88%
12/31/01	1,929,998	1,779,191	(150,807)	108.48%	1,205,963	-
12/31/00	1,692,545	1,496,164	(196,381)	113.13%	1,098,811	-
12/31/99	1,510,881	1,411,319	(99,562)	107.05%	998,593	-
12/31/98	1,187,936	1,212,851	24,915	97.95%	785,254	3.17%
12/31/97	1,023,597	1,109,730	86,133	92.24%	781,453	11.02%
12/31/96	837,907	930,825	92,918	90.02%	640,124	14.52%

On a market value basis, the actuarial value of assets as of December 31, 2005 is \$1,975,202.
On a market value basis, the funded ratio would be 97.42%.

Digest of Changes

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

The principal changes were:

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

SUPPLEMENTAL INFORMATION

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2006**

	ROE/ISC Operations	Special Projects	Technology Hub
ASSETS			
Cash	\$ -	\$ 61,262	\$ -
Total assets	\$ -	\$ 61,262	\$ -
LIABILITIES			
Accounts payable	\$ -	4,345	\$ -
FUND BALANCE			
Unreserved	-	56,917	-
Total liabilities and fund balance	\$ -	\$ 61,262	\$ -

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**COMBINING SCHEDULE OF ACCOUNTS (continued)
GENERAL FUND
June 30, 2006**

	<u>Office</u>	<u>Local</u>	<u>Total</u>
ASSETS			
Cash	\$ 88,025	\$ 117,150	\$ 266,437
Total assets	<u>\$ 88,025</u>	<u>\$ 117,150</u>	<u>\$ 266,437</u>
LIABILITIES			
Accounts payable	\$ -	\$ 2,737	\$ 7,082
FUND BALANCE			
Unreserved	<u>88,025</u>	<u>114,413</u>	<u>259,355</u>
Total liabilities and fund balance	<u>\$ 88,025</u>	<u>\$ 117,150</u>	<u>\$ 266,437</u>

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND ACCOUNTS
For the year ended June 30, 2006**

	ROE/ISC Operations	Special Projects	Technology Hub	Office
Revenues:				
Local sources	\$ -	\$ 124,806	\$ -	\$ 216,324
State sources	61,916	-	-	-
On-behalf payments	-	-	-	194,031
Interest income	-	17,271	225	936
	<u>61,916</u>	<u>142,077</u>	<u>225</u>	<u>411,291</u>
Expenditures:				
Salaries and benefits	48,054	240	23,326	207,206
Purchased services	11,028	177,832	336	21,809
Supplies and materials	1,998	2,452	-	2,537
Capital outlay	-	1,188	-	1,075
Payments to other governments	836	-	-	-
Other objects	-	8,974	-	-
On-behalf payments	-	-	-	194,031
	<u>61,916</u>	<u>190,686</u>	<u>23,662</u>	<u>426,658</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(48,609)</u>	<u>(23,437)</u>	<u>(15,367)</u>
Other financing sources (uses):				
Transfers in	-	13,882	-	-
Transfers out	-	(1,475)	-	-
	<u>-</u>	<u>12,407</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	(36,202)	(23,437)	(15,367)
Fund balance, beginning of year	<u>-</u>	<u>93,119</u>	<u>23,437</u>	<u>103,392</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 56,917</u>	<u>\$ -</u>	<u>\$ 88,025</u>

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (continued)
GENERAL FUND ACCOUNTS
For the year ended June 30, 2006**

	Local	Eliminations	Total
Revenues:			
Local sources	\$ 137,851	\$ -	\$ 478,981
State sources	-	-	61,916
On-behalf payments	-	-	194,031
Interest income	669	-	19,101
	<u>138,520</u>	<u>-</u>	<u>754,029</u>
Total revenues			
Expenditures:			
Salaries and benefits	24,707	-	303,533
Purchased services	102,023	-	313,028
Supplies and materials	13,772	-	20,759
Capital outlay	2,064	-	4,327
Payments to other governments	-	-	836
Other objects	36	-	9,010
On-behalf payments	-	-	194,031
	<u>142,602</u>	<u>-</u>	<u>845,524</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(4,082)</u>	<u>-</u>	<u>(91,495)</u>
Other financing sources (uses):			
Transfers in	-	(1,248)	12,634
Transfers out	(1,248)	1,248	(1,475)
	<u>(1,248)</u>	<u>-</u>	<u>11,159</u>
Total other financing sources (uses)			
Net change in fund balance	(5,330)	-	(80,336)
Fund balance, beginning of year	<u>119,743</u>	<u>-</u>	<u>339,691</u>
Fund balance, end of year	<u>\$ 114,413</u>	<u>\$ -</u>	<u>\$ 259,355</u>

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND ACCOUNTS
ROE/ISC OPERATIONS – PROJECT #06-3730-00
For the year ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
State sources	\$ 61,916	\$ 61,916	\$ 61,916	\$ -
Total revenues	<u>61,916</u>	<u>61,916</u>	<u>61,916</u>	<u>-</u>
Expenditures:				
Salaries and benefits	43,918	51,228	48,054	3,174
Purchased services	15,400	9,190	11,028	(1,838)
Supplies and materials	2,098	998	1,998	(1,000)
Payments to other governments	500	500	836	(336)
Total expenditures	<u>61,916</u>	<u>61,916</u>	<u>61,916</u>	<u>-</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ -</u>	

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2006**

	<u>Truants Alternative/ Optional Education</u>	<u>Early Childhood Block Grant</u>	<u>Title IV Safe and Drug Free Schools</u>	<u>Regional Safe Schools</u>
ASSETS				
Cash	\$ 149,041	\$ -	\$ -	\$ 188,010
Due from other governments	-	-	10,995	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 149,041</u>	<u>\$ -</u>	<u>\$ 10,995</u>	<u>\$ 188,010</u>
LIABILITIES				
Accounts payable	\$ 1,936	\$ -	\$ 10,995	\$ -
Unearned revenue	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	1,936	-	10,995	-
FUND BALANCE				
Unreserved	<u>147,105</u>	<u>-</u>	<u>-</u>	<u>188,010</u>
Total liabilities and fund balance	<u>\$ 149,041</u>	<u>\$ -</u>	<u>\$ 10,995</u>	<u>\$ 188,010</u>

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**COMBINING SCHEDULE OF ACCOUNTS (continued)
EDUCATION FUND
June 30, 2006**

	<u>Bridges Extended Learning Opportunities</u>	<u>Technology - Learning Technology Centers</u>	<u>Mathematics & Science Partnership</u>	<u>McKinney Ed. For Homeless Children</u>
ASSETS				
Cash	\$ -	\$ 1	\$ 2,142	\$ -
Due from other governments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 2,142</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ -	\$ 1	\$ -	\$ -
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	-	1	-	-
FUND BALANCE				
Unreserved	<u>-</u>	<u>-</u>	<u>2,142</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 2,142</u>	<u>\$ -</u>

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**COMBINING SCHEDULE OF ACCOUNTS (continued)
EDUCATION FUND
June 30, 2006**

	HIV	System of Support (RESPRO)	Title IV Innovative Programs LEA Leadership	Totals
ASSETS				
Cash	\$ -	\$ 14,273	\$ -	\$ 353,467
Due from other governments	-	6,763	-	17,758
Total assets	\$ -	\$ 21,036	\$ -	\$ 371,225
LIABILITIES				
Accounts payable	\$ -	\$ 6,288	\$ -	\$ 19,220
Unearned revenue	-	14,748	-	14,748
Total liabilities	-	21,036	-	33,968
FUND BALANCE				
Unreserved	-	-	-	337,257
Total liabilities and fund balance	\$ -	\$ 21,036	\$ -	\$ 371,225

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
EDUCATION FUND ACCOUNTS
For the year ended June 30, 2006**

	Truants Alternative/ Optional Education	Early Childhood Block Grant	Title IV Safe and Drug Free Schools	Regional Safe Schools
Revenues:				
Local sources	\$ 3,212	\$ -	\$ -	\$ -
State sources	630,154	238,931	-	246,139
Federal sources	-	-	337,668	-
Interest income	1,522	-	-	-
Total revenues	634,888	238,931	337,668	246,139
Expenditures:				
Salaries and benefits	549,964	125,689	71,054	309,725
Purchased services	86,069	42,258	219,325	34,964
Supplies and materials	19,975	67,334	38,153	8,261
Capital outlay	11,399	3,650	-	-
Payments to other governments	-	-	-	-
Other objects	5,438	-	9,136	-
Total expenditures	672,845	238,931	337,668	352,950
Excess (deficiency) of revenues over (under) expenditures	(37,957)	-	-	(106,811)
Other financing uses				
Transfer out	-	-	-	-
Net change in fund balance	(37,957)	-	-	(106,811)
Fund balance, beginning of year	185,062	-	-	294,821
Fund balance, end of year	\$ 147,105	\$ -	\$ -	\$ 188,010

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (continued)
EDUCATION FUND ACCOUNTS
For the year ended June 30, 2006**

	Bridges Extended Learning Opportunities	Technology - Learning Technology Centers	Mathematics & Science Partnership	McKinney Ed. For Homeless Children
Revenues:				
Local sources	\$ -	\$ 840	\$ 6,192	\$ -
State sources	17,705	165,847	-	-
Federal sources	-	-	-	21,545
Interest income	-	496	-	68
Total revenues	<u>17,705</u>	<u>167,183</u>	<u>6,192</u>	<u>21,613</u>
Expenditures:				
Salaries and benefits	11,643	100,839	4,000	9,720
Purchased services	736	57,323	50	2,265
Supplies and materials	5,326	1,542	-	9,325
Capital outlay	-	6,142	-	-
Payments to other governments	-	-	-	235
Other objects	-	1,337	-	68
Total expenditures	<u>17,705</u>	<u>167,183</u>	<u>4,050</u>	<u>21,613</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	2,142	-
Other financing uses				
Transfer out	-	-	-	-
Net change in fund balance	-	-	2,142	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,142</u>	<u>\$ -</u>

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (continued)
EDUCATION FUND ACCOUNTS
For the year ended June 30, 2006**

	HIV	System of Support (RESPRO)	Title IV Innovative Programs LEA Leadership	Total
Revenues:				
Local sources	\$ -	\$ -	\$ -	\$ 10,244
State sources	12,634	13,971	-	1,325,381
Federal sources	-	178,481	12,940	550,634
Interest income	-	-	-	2,086
Total revenues	12,634	192,452	12,940	1,888,345
Expenditures:				
Salaries and benefits	-	20,709	7,810	1,211,153
Purchased services	-	91,873	2,890	537,753
Supplies and materials	-	79,870	2,240	232,026
Capital outlay	-	-	-	21,191
Payments to other governments	-	-	-	235
Other objects	-	-	-	15,979
Total expenditures	-	192,452	12,940	2,018,337
Excess (deficiency) of revenues over (under) expenditures	12,634	-	-	(129,992)
Other financing uses				
Transfer out	(12,634)	-	-	(12,634)
Net change in fund balance	-	-	-	(142,626)
Fund balance, beginning of year	-	-	-	479,883
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 337,257</u>

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TRUANTS ALTERNATIVE/OPTIONAL EDUCATION – PROJECT #06-3695-00
For the year ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Local sources	\$ -	\$ -	\$ 3,212	\$ 3,212
State sources	373,710	373,710	630,154	256,444
Interest income	-	-	1,522	1,522
Total revenues	<u>373,710</u>	<u>373,710</u>	<u>634,888</u>	<u>261,178</u>
Expenditures:				
Salaries and benefits	298,435	292,847	549,964	(257,117)
Purchased services	44,800	58,920	86,069	(27,149)
Supplies and materials	22,198	14,064	19,975	(5,911)
Capital outlay	8,277	7,879	11,399	(3,520)
Other objects	-	-	5,438	(5,438)
Total expenditures	<u>373,710</u>	<u>373,710</u>	<u>672,845</u>	<u>(299,135)</u>
Deficiency of revenues under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(37,957)</u>	<u>\$ (37,957)</u>
Fund balance, beginning of year			<u>185,062</u>	
Fund balance, end of year			<u>\$ 147,105</u>	

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
EARLY CHILDHOOD BLOCK GRANT – PROJECT #06-3705-60
For the year ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
State sources	\$ 238,931	\$ 238,931	\$ 238,931	\$ -
Total revenues	<u>238,931</u>	<u>238,931</u>	<u>238,931</u>	<u>-</u>
Expenditures:				
Salaries and benefits	136,675	126,843	125,689	1,154
Purchased services	53,524	41,024	42,258	(1,234)
Supplies and materials	48,732	67,389	67,334	55
Captial outlay	-	3,675	3,650	25
Total expenditures	<u>238,931</u>	<u>238,931</u>	<u>238,931</u>	<u>-</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ -</u>	

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE IV SAFE AND DRUG FREE SCHOOLS – PROJECT #05-4415-00
For the year ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Federal sources	\$ 300,000	\$ 372,000	\$ 86,475	\$ (285,525)
Total revenues	<u>300,000</u>	<u>372,000</u>	<u>86,475</u>	<u>(285,525)</u>
Expenditures:				
Salaries and benefits	72,054	72,054	12,569	59,485
Purchased services	170,020	259,571	56,259	203,312
Supplies and materials	51,566	34,015	14,871	19,144
Other objects	6,360	6,360	2,776	3,584
Total expenditures	<u>300,000</u>	<u>372,000</u>	<u>86,475</u>	<u>285,525</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ -</u>	

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE IV SAFE AND DRUG FREE SCHOOLS – PROJECT #06-4415-00
For the year ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Federal sources	\$ 300,000	\$ 300,000	\$ 251,193	\$ (48,807)
Total revenues	<u>300,000</u>	<u>300,000</u>	<u>251,193</u>	<u>(48,807)</u>
Expenditures:				
Salaries and benefits	72,054	72,054	58,485	13,569
Purchased services	189,586	189,586	163,066	26,520
Supplies and materials	32,000	32,000	23,282	8,718
Other objects	<u>6,360</u>	<u>6,360</u>	<u>6,360</u>	<u>-</u>
Total expenditures	<u>300,000</u>	<u>300,000</u>	<u>251,193</u>	<u>48,807</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ -</u>	

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
REGIONAL SAFE SCHOOLS – PROJECT #06-3696-00
For the year ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State sources	\$ 129,278	\$ 129,278	\$ 246,139	\$ 116,861
Total revenues	<u>129,278</u>	<u>129,278</u>	<u>246,139</u>	<u>116,861</u>
Expenditures:				
Salaries and benefits	111,537	111,537	309,725	(198,188)
Purchased services	8,000	15,991	34,964	(18,973)
Supplies and materials	9,741	1,750	8,261	(6,511)
Total expenditures	<u>129,278</u>	<u>129,278</u>	<u>352,950</u>	<u>(223,672)</u>
Deficiency of revenues under expenditures	<u>\$ -</u>	<u>\$ -</u>	(106,811)	<u>\$ (106,811)</u>
Fund balance, beginning of year			<u>294,821</u>	
Fund balance, end of year			<u>\$ 188,010</u>	

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
BRIDGES EXTENDED LEARNING OPPORTUNITIES – PROJECT #06-3825-00
For the year ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
State sources	\$ 17,705	\$ 17,705	\$ 17,705	\$ -
Total revenues	<u>17,705</u>	<u>17,705</u>	<u>17,705</u>	<u>-</u>
Expenditures:				
Salaries and benefits	13,980	11,641	11,643	(2)
Purchased services	725	725	736	(11)
Supplies and materials	3,000	5,339	5,326	13
Total expenditures	<u>17,705</u>	<u>17,705</u>	<u>17,705</u>	<u>-</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ -</u>	

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TECHNOLOGY-LEARNING TECHNOLOGY CENTERS – PROJECT #06-3780-00
For the year ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Local sources	\$ -	\$ -	\$ 840	\$ 840
State sources	165,847	165,847	165,847	-
Interest income	-	-	496	496
Total revenues	165,847	165,847	167,183	1,336
Expenditures:				
Salaries and benefits	102,570	102,570	100,839	1,731
Purchased services	60,467	56,467	57,323	(856)
Supplies and materials	1,310	1,310	1,542	(232)
Capital outlay	1,500	5,500	6,142	(642)
Other objects	-	-	1,337	(1,337)
Total expenditures	165,847	165,847	167,183	1,336
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			-	
Fund balance, end of year			<u>\$ -</u>	

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2006**

	<u>General Education Development</u>	<u>School Bus Transportation</u>	<u>Supervisory</u>
ASSETS			
Cash	\$ 17,315	\$ 119	\$ -
Total assets	<u>\$ 17,315</u>	<u>\$ 119</u>	<u>\$ -</u>
LIABILITIES			
Unearned revenue	\$ -	\$ -	\$ -
Total liabilities	-	-	-
FUND BALANCE			
Unreserved	<u>17,315</u>	<u>119</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 17,315</u>	<u>\$ 119</u>	<u>\$ -</u>

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**COMBINING BALANCE SHEET (continued)
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2006**

	Regional Board of Trustees	Total
ASSETS		
Cash	\$ 1,038	\$ 18,472
Total assets	\$ 1,038	\$ 18,472
LIABILITIES		
Unearned revenue	\$ 1,038	\$ 1,038
Total liabilities	1,038	1,038
FUND BALANCE		
Unreserved	-	17,434
Total liabilities and fund balance	\$ 1,038	\$ 18,472

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
For the year ended June 30, 2006**

	General Education Development	School Bus Transportation	Supervisory
Revenues:			
Local sources	\$ 7,043	\$ 1,360	\$ -
State sources	-	600	5,000
Interest income	289	-	-
Total revenues	7,332	1,960	5,000
Expenditures:			
Salaries and benefits	2,776	-	-
Purchased services	3,146	3,533	5,000
Supplies and materials	2,765	-	-
Capital outlay	2,150	-	-
Other objects	-	-	-
Total expenditures	10,837	3,533	5,000
Excess (deficiency) of revenues over (under) expenditures	(3,505)	(1,573)	-
Other financing sources:			
Transfers in	-	1,475	-
Net change in fund balance	(3,505)	(98)	-
Fund balance, beginning of year	20,820	217	-
Fund balance, end of year	\$ 17,315	\$ 119	\$ -

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE (continued)
NONMAJOR SPECIAL REVENUE FUNDS**

For the year ended June 30, 2006

	Regional Board of Trustees	Total
Revenues:		
Local sources	\$ 1,554	\$ 9,957
State sources	-	5,600
Interest income	-	289
	1,554	15,846
Expenditures:		
Salaries and benefits	875	3,651
Purchased services	171	11,850
Supplies and materials	-	2,765
Capital outlay	-	2,150
Other objects	508	508
	1,554	20,924
Excess (deficiency) of revenues over (under) expenditures	-	(5,078)
Other financing sources:		
Transfers in	-	1,475
	-	1,475
Net change in fund balance	-	(3,603)
Fund balance, beginning of year	-	21,037
	-	21,037
Fund balance, end of year	\$ -	\$ 17,434

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2006**

	Distributive Fund	Payroll Fund	Totals
ASSETS			
Due from other governments	\$ 1,994,326	\$ -	\$ 1,994,326
Total assets	\$ 1,994,326	\$ -	\$ 1,994,326
LIABILITIES			
Due to other governments	\$ 1,994,326	\$ -	\$ 1,994,326
Total liabilities	\$ 1,994,326	\$ -	\$ 1,994,326

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

For the year ended June 30, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<u>DISTRIBUTIVE</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 55,441,642	\$ 55,441,642	\$ -
Due from other governments	396,204	57,039,764	55,441,642	1,994,326
Total assets	<u>\$ 396,204</u>	<u>\$ 112,481,406</u>	<u>\$ 110,883,284</u>	<u>\$ 1,994,326</u>
LIABILITIES				
Due to other governments	\$ 396,204	\$ 57,039,764	\$ 55,441,642	\$ 1,994,326
Total liabilities	<u>\$ 396,204</u>	<u>\$ 57,039,764</u>	<u>\$ 55,441,642</u>	<u>\$ 1,994,326</u>
<u>PAYROLL</u>				
ASSETS				
Cash and cash equivalents	\$ 13	\$ 1,650,626	\$ 1,650,639	\$ -
Total assets	<u>\$ 13</u>	<u>\$ 1,650,626</u>	<u>\$ 1,650,639</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 13	\$ 1,650,626	\$ 1,650,639	\$ -
Total liabilities	<u>\$ 13</u>	<u>\$ 1,650,626</u>	<u>\$ 1,650,639</u>	<u>\$ -</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 13	\$ 57,092,268	\$ 57,092,281	\$ -
Due from other governments	396,204	57,039,764	55,441,642	1,994,326
Total assets	<u>\$ 396,217</u>	<u>\$ 114,132,032</u>	<u>\$ 112,533,923</u>	<u>\$ 1,994,326</u>
LIABILITIES				
Accounts payable	\$ 13	\$ 1,650,626	\$ 1,650,639	\$ -
Due to other governments	396,204	57,039,764	55,441,642	1,994,326
Total liabilities	<u>\$ 396,217</u>	<u>\$ 58,690,390</u>	<u>\$ 57,092,281</u>	<u>\$ 1,994,326</u>

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
For the year ended June 30, 2006**

	Clay City Community Unit #10	North Clay Community Unit #25	Flora Community Unit #35	Hutsonville Community Unit #1	Robinson Community Unit #2
General State Aid	\$ 1,372,835	\$ 2,584,415	\$ 5,193,210	\$ 1,306,582	\$ 3,562,216
General State Aid Hold Harmless/Supplemental	-	-	-	-	-
Transition Assistance	-	-	-	-	-
Special Ed - Private Facility Tuition	13,008	25,419	46,541	-	20,596
Special Ed - Extraordinary	18,027	61,817	164,405	31,206	121,810
Special Ed - Personnel	53,214	74,111	166,372	28,173	132,958
Special Ed - Orphanage - Individual	4,631	22,298	53,262	-	-
Special Ed - Summer School	-	-	5,292	-	500
Vocational Ed - Career & Technical Ed Improvement	-	-	-	-	-
Vocational Ed - Agriculture Education	-	-	-	-	-
State Free Lunch and Breakfast	4,462	6,279	14,909	5,058	16,750
School Breakfast Incentive	187	427	514	119	464
Driver Education	3,529	6,563	13,999	2,833	20,420
Transportation - Regular and Vocational	91,858	204,122	273,612	164,524	423,482
Transportation - Special Education	54,762	36,811	108,708	53,831	119,660
ROE School Bus Driver Training	-	-	-	-	-
National Board Certification Initiatives	-	-	-	-	3,896
Truants Alternative/Optional Education	-	-	-	-	-
Regional Safe Schools	-	-	-	-	-
Early Childhood - Block Grant	100,542	91,532	419,688	140,418	263,761
Reading Improvement Block Grant	15,055	26,072	48,381	14,075	57,700
Reading Improvement Block - Reading Rec.	-	-	-	-	-
ROE/ISC Operations	-	-	-	-	-
Supervisory Expense	-	-	-	-	-
ADA Safety and Educational Block Grant	12,113	21,424	44,754	12,312	55,209
Technology - Learning Technology Centers	-	-	-	-	-
Title V - Innovative Programs Formula	1,371	5,041	4,816	1,332	4,751
National School Lunch Program	58,563	97,617	216,153	62,285	218,640
Special Milk Program	-	1,199	3,070	-	-
School Breakfast Program	17,481	21,310	60,714	21,222	84,981
Summer Food Service Program	-	-	-	-	-
Title I - Low Income	96,338	156,962	221,287	89,356	292,263
Title IV - Safe and Drug Free Sch - Formula	2,405	2,239	6,000	2,377	9,455
Title IV - Safe and Drug Free - State Level Prog	-	-	-	-	-
Federal - Special Ed - IDEA - Room and Board	20,494	10,963	121,947	111	833
V.E. - Perkins - Title IIC - Secondary	-	-	-	-	-
Title II - Teacher Quality	21,370	41,798	67,336	25,716	89,370
Mathematics and Science Partnerships	-	-	-	-	-
Technology - Enhancing Education - Formula	1,819	4,567	3,834	1,623	5,178
Technology - Enhancing Education - Competitive	-	-	-	-	4,495
Other Federal Programs	-	-	22,301	-	39,389
TOTAL	\$ 1,964,064	\$ 3,502,986	\$ 7,281,105	\$ 1,963,153	\$ 5,548,777

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
For the year ended June 30, 2006**

	Palestine Community Unit #3	Oblong Community Unit #4	Jasper County Community Unit #1	Red Hill Community Unit #10	Lawrence County Community Unit #20
General State Aid	\$ 1,794,212	\$ 2,676,573	\$ 1,414,411	\$ 4,627,853	\$ 5,113,938
General State Aid Hold Harmless/Supplemental	-	-	1,106,026	-	-
Transition Assistance	-	-	-	-	-
Special Ed - Private Facility Tuition	657	-	37,994	3,216	5,320
Special Ed - Extraordinary	23,033	61,634	163,009	93,871	48,623
Special Ed - Personnel	35,901	68,063	154,177	90,702	95,854
Special Ed - Orphanage - Individual	-	-	41,976	-	12,418
Special Ed - Summer School	-	-	1,297	758	-
Vocational Ed - Career & Technical Ed Improvement	-	-	-	-	-
Vocational Ed - Agriculture Education	-	-	-	-	-
State Free Lunch and Breakfast	2,634	5,265	13,823	10,039	11,023
School Breakfast Incentive	-	216	308	14	356
Driver Education	4,544	9,526	19,098	9,797	12,713
Transportation - Regular and Vocational	74,872	247,329	517,275	321,539	228,566
Transportation - Special Education	29,809	59,203	238,295	28,330	62,384
ROE School Bus Driver Training	-	-	-	-	-
National Board Certification Initiatives	-	-	-	-	6,896
Truants Alternative/Optional Education	-	-	-	-	-
Regional Safe Schools	-	-	-	-	-
Early Childhood - Block Grant	64,294	132,958	116,392	259,851	191,852
Reading Improvement Block Grant	16,570	22,524	49,815	40,288	49,992
Reading Improvement Block - Reading Rec.	-	-	-	-	-
ROE/ISC Operations	-	-	-	-	-
Supervisory Expense	-	-	-	-	-
ADA Safety and Educational Block Grant	14,924	22,924	49,196	33,817	41,354
Technology - Learning Technology Centers	-	-	-	-	-
Title V - Innovative Programs Formula	1,997	17,004	5,779	3,725	6,371
National School Lunch Program	44,401	81,149	195,382	158,137	151,473
Special Milk Program	-	-	-	2,239	-
School Breakfast Program	11,345	20,374	63,001	51,662	45,858
Summer Food Service Program	-	-	-	9,492	-
Title I - Low Income	117,637	113,570	348,882	285,077	279,019
Title IV - Safe and Drug Free Sch - Formula	3,289	2,763	10,135	6,732	6,022
Title IV - Safe and Drug Free - State Level Prog	-	-	-	-	-
Federal - Special Ed - IDEA - Room and Board	461	866	128,881	111,613	97,220
V.E. - Perkins - Title IIC - Secondary	-	-	-	-	-
Title II - Teacher Quality	36,059	9,518	22,887	93,580	85,716
Mathematics and Science Partnerships	-	-	-	-	-
Technology - Enhancing Education - Formula	2,375	3,295	7,613	5,385	6,196
Technology - Enhancing Education - Competitive	-	-	-	-	-
Other Federal Programs	-	-	-	-	-
TOTAL	\$ 2,279,014	\$ 3,554,754	\$ 4,705,652	\$ 6,247,717	\$ 6,559,164

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
For the year ended June 30, 2006**

	East Richland Community Unit #1	West Richland Community Unit #2	Twin Rivers Regional Vocational System	Regional Office of Education #12
General State Aid	\$ 5,893,481	\$ 1,853,066	\$ -	\$ 373,306
General State Aid Hold Harmless/Supplemental	-	-	-	-
Transition Assistance	12,853	-	-	-
Special Ed - Private Facility Tuition	14,139	-	-	-
Special Ed - Extraordinary	182,415	40,284	-	-
Special Ed - Personnel	179,472	43,446	-	-
Special Ed - Orphanage - Individual	-	-	-	-
Special Ed - Summer School	3,539	-	-	-
Vocational Ed - Career & Technical Ed Improvement	-	-	206,278	-
Vocational Ed - Agriculture Education	-	-	9,334	-
State Free Lunch and Breakfast	24,115	3,541	-	-
School Breakfast Incentive	202	-	-	-
Driver Education	23,135	6,375	-	-
Transportation - Regular and Vocational	408,434	130,109	-	-
Transportation - Special Education	86,227	10,295	-	-
ROE School Bus Driver Training	-	-	-	600
National Board Certification Initiatives	-	-	-	-
Truants Alternative/Optional Education	106,306	-	-	373,710
Regional Safe Schools	-	-	-	129,278
Early Childhood - Block Grant	287,839	102,411	-	238,931
Reading Improvement Block Grant	73,251	15,180	-	-
Reading Improvement Block - Reading Rec.	5,000	-	-	-
ROE/ISC Operations	-	-	-	61,916
Supervisory Expense	-	-	-	5,000
ADA Safety and Educational Block Grant	64,144	15,562	-	-
Technology - Learning Technology Centers	-	-	-	173,328
Title V - Innovative Programs Formula	8,632	1,546	-	-
National School Lunch Program	297,079	56,764	-	-
Special Milk Program	-	-	-	-
School Breakfast Program	97,184	10,864	-	-
Summer Food Service Program	-	-	-	-
Title I - Low Income	511,849	97,437	-	-
Title IV - Safe and Drug Free Sch - Formula	13,931	2,914	-	-
Title IV - Safe and Drug Free - State Level Prog	-	-	-	303,411
Federal - Special Ed - IDEA - Room and Board	52,156	500	-	-
V.E. - Perkins - Title IIC - Secondary	-	-	71,715	-
Title II - Teacher Quality	136,379	26,278	-	-
Mathematics and Science Partnerships	170,000	-	-	-
Technology - Enhancing Education - Formula	8,496	1,804	-	-
Technology - Enhancing Education - Competitive	-	-	-	-
Other Federal Programs	-	-	-	-
TOTAL	\$ 8,660,258	\$ 2,418,376	\$ 287,327	\$ 1,659,480

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
For the year ended June 30, 2006**

	Clay-Jasper- Richland-N. Wayne Regional System	Total
General State Aid	\$ -	\$ 37,766,098
General State Aid Hold Harmless/Supplemental	-	1,106,026
Transition Assitance	-	12,853
Special Ed - Private Facility Tuition	-	166,890
Special Ed - Extraordinary	-	1,010,134
Special Ed - Personnel	-	1,122,443
Special Ed - Orphanage - Individual	-	134,585
Special Ed - Summer School	-	11,386
Vocational Ed - Career & Technical Ed Improvement	301,173	507,451
Vocational Ed - Agriculture Education	28,422	37,756
State Free Lunch and Breakfast	-	117,898
School Breakfast Incentive	-	2,807
Driver Education	-	132,532
Transportation - Regular and Vocational	-	3,085,722
Transportation - Special Education	-	888,315
ROE School Bus Driver Training	-	600
National Board Certification Initiatives	-	10,792
Truants Alternative/Optional Education	-	480,016
Regional Safe Schools	-	129,278
Early Childhood - Block Grant	-	2,410,469
Reading Improvement Block Grant	-	428,903
Reading Improvement Block - Reading Rec.	-	5,000
ROE/ISC Operations	-	61,916
Supervisory Expense	-	5,000
ADA Safety and Educational Block Grant	-	387,733
Technology - Learning Technology Centers	-	173,328
Title V - Innovative Programs Formula	-	62,365
National School Lunch Program	-	1,637,643
Special Milk Program	-	6,508
School Breakfast Program	-	505,996
Summer Food Service Program	-	9,492
Title I - Low Income	-	2,609,677
Title IV - Safe and Drug Free Sch - Formula	-	68,262
Title IV - Safe and Drug Free - State Level Prog	-	303,411
Federal - Special Ed - IDEA - Room and Board	-	546,045
V.E. - Perkins - Title IIC - Secondary	78,342	150,057
Title II - Teacher Quality	-	656,007
Mathematics and Science Partnerships	-	170,000
Technology - Enhancing Education - Formula	-	52,185
Technology - Enhancing Education - Competitive	-	4,495
Other Federal Programs	-	61,690
TOTAL	\$ 407,937	\$ 57,039,764

FEDERAL FINANCIAL COMPLIANCE SECTION

**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12**

**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 # (1st 8 digits) or Contract #	Federal Expenditures 7/1/05 - 6/30/06
U.S. Department of Education			
<i>Passed through the Illinois State Board of Education:</i>			
Title IV Safe & Drug Free - State Level Program	84.186A	05-4415-00	\$ 86,475
Title IV Safe & Drug Free - State Level Program	84.186A	06-4415-00	251,193
Total Illinois State Board of Education			<u>337,668</u>
<i>Passed through the Illinois State Board of Education passed through ROE #21</i>			
McKinney Education for Homeless Children	84.196A	06-4920-00	21,545
Total ROE #21			<u>21,545</u>
<i>Passed through the Illinois State Board of Education passed through ROE #25</i>			
Title IV - Innovative Programs LEA Leadership	84.298A	06-4999-00	12,940
Total ROE #25			<u>12,940</u>
<i>Passed through the Illinois State Board of Education passed through ROE #2</i>			
System of Support (RESPRO)			
(m) Title I	84.010A	06-4331-SS	165,177
Title II	84.367A	06-4331-SS	13,054
Title V	84.298A	06-4331-SS	250
Total ROE #2			<u>178,481</u>
Total U.S. Department of Education			<u>\$ 550,634</u>

(m) - major program

The accompanying notes are an integral part of this schedule.

CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES
REGIONAL OFFICE OF EDUCATION #12

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2006

1. **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Regional Office of Education #12 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 in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. **SUBRECIPIENTS**

The note is not applicable to Regional Office of Education #12.

3. **DESCRIPTIONS OF MAJOR FEDERAL PROGRAMS**

System of Support (RESPRO) - Title I - To provide improvement support to schools in academic early warning and academic watch status as well as to assist other schools whose performance makes placement on the lists in the near future likely.

4. **NON-CASH ASSISTANCE**

The note is not applicable to Regional Office of Education #12.

5. **AMOUNT OF INSURANCE**

The note is not applicable to Regional Office of Education #12.

6. **LOANS OR LOAN GUARANTEES OUTSTANDING**

The note is not applicable to Regional Office of Education #12.