

State of Illinois
FULTON/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #22
FINANCIAL AUDIT
(In Accordance with the Single Audit Act & OMB Circular A-133)
For the Year Ended June 30, 2006

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

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FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22

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FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22

OFFICIALS

Regional Superintendent

Mr. Alan Coleman
(current and during audit period)

Assistant Regional Superintendent

Ms. Louise Bassett
(current and during audit period)

Offices are located at:

Fulton County Courthouse
100 North Main, P.O. Box 307
Lewistown, Illinois 61542

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	0

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)		
06-1	15-16	Controls over compliance with laws and regulations

EXIT CONFERENCE

An exit conference was held on August 30, 2006. Attending were Regional Superintendent Alan Coleman, Assistant Regional Superintendent Louise Bassett, and auditor Mark Reinken of Ginoli & Company Ltd. Responses to the recommendations were provided by Alan Coleman on November 22, 2006.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of Fulton/Schuyler Counties Regional Office of Education #22 was performed by Ginoli & Company Ltd.

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

**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 Fulton/Schuyler Counties Regional Office of Education #22, as of and for the year ended June 30, 2006, which collectively comprise the Fulton/Schuyler Counties Regional Office of Education #22's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Fulton/Schuyler Counties Regional Office of Education #22's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fulton/Schuyler Counties Regional Office of Education #22, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2006 on our consideration of Fulton/Schuyler Counties Regional Office of Education #22's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 20 through 24 and Illinois Municipal Retirement Fund Schedule of Funding Progress on page 47 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 Fulton/Schuyler Counties Regional Office of Education #22's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Disbursements of Other Entities – Distributive Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*, and is also not a required part of the basic financial statements of Fulton/Schuyler Counties Regional Office of Education #22. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to Other Entities – Distributive Fund and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



GINOLI & COMPANY LTD

Certified Public Accountants

Peoria, Illinois
August 30, 2006



**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 Fulton/Schuyler Counties Regional Office of Education #22, as of and for the year ended June 30, 2006, which collectively comprise Fulton/Schuyler Counties Regional Office of Education #22's basic financial statements and have issued our report thereon dated August 30, 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 Fulton/Schuyler Counties Regional Office of Education #22's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fulton/Schuyler Counties Regional Office of Education #22'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 06-1.

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


GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
August 30, 2006



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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of the Fulton/Schuyler Counties Regional Office of Education #22 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 Fulton/Schuyler Counties Regional Office of Education #22's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Fulton/Schuyler Counties Regional Office of Education #22's management. Our responsibility is to express an opinion on the Fulton/Schuyler Counties Regional Office of Education #22's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 criteria as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*. Those standards and criteria require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Fulton/Schuyler Counties Regional Office of Education #22's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Fulton/Schuyler Counties Regional Office of Education #22's compliance with those requirements.

In our opinion, the Fulton/Schuyler Counties Regional Office of Education #22 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. The results of our tests disclosed no instances of noncompliance that are required to be reported in accordance with OMB Circular A-133 criteria as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*.

Internal Control Over Compliance

The management of the Fulton/Schuyler Counties Regional Office of Education #22 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 Fulton/Schuyler Counties Regional Office of Education #22's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 criteria as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*.

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

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

GINOLI & COMPANY LTD
GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
August 30, 2006

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified
(unqualified, qualified, adverse, disclaimer)

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: unqualified
(unqualified, qualified, adverse, disclaimer)

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? yes X no

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2006
 (CONTINUED)

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
17.259	Fastrac - Workforce Investment Act Title I

Dollar threshold used to distinguish between
 Type A and Type B programs: \$ N/A

Auditee qualified as low-risk auditee X yes no n/a

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Section II-Financial Statement Findings

Finding No. 06-1 – Controls Over Compliance with Laws and Regulations (Repeated from 2005 – Finding No. 05-1)

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 his educational service region, and if he finds any irregularities in them, to report them at once, in writing, to the trustees in Class II county school units, to the respective school boards of those school districts which form a part of a Class II county school unit but which are not subject to the jurisdiction of the trustees of schools of any township in which any such district is located, or to the respective school boards of the district in Class I county school units whose duty it shall be to take immediately such action as the case demands. (This mandate has existed in its current form since at least 1953.)
- B. The Illinois School Code 105 ILCS 5/3-14.5 requires the Regional Superintendent to visit each public school in the county at least once a year, noting the methods of instruction, the branches taught, the text-books used, and the discipline, government and general condition of the schools. (This mandate has existed in its current form since at least 1953.)
- C. The Illinois School Code 105 ILCS 5/3-5 states that the county superintendent shall present under oath or affirmation to the county board at its meeting in September and as nearly quarterly thereafter as it may have regular or special meetings, a report of all his acts as county superintendent, including a list of all the schools visited with the dates of visitation. (This mandate has existed in its current form since at least 1953.)

Conditions:

- A. The Regional Office of Education #22 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 they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent has been examining school district financial statements on an annual basis.
- B. The Regional Office of Education #22 performs compliance inspections for each public school in his region on a rotational basis every four years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.
- C. The Regional Office of Education #22 did not present at the September county board meetings and as nearly quarterly thereafter, a report of all his acts including a list of all the schools visited and dates of visitation. The ROE did submit an annual report to its counties but the report did not contain all of the items mentioned in the School Code.

Effects:

The Regional Office of Education #22 did not comply with statutory requirements.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Causes:

- A. The level of financial review performed by the Regional Superintendent is not adequate to comply with the statute.
- B. The Regional Superintendent believes the periodic compliance visits he completes are sufficient to satisfy the statutory requirement.
- C. The Regional Superintendent does present an annual report to the county boards, but the Superintendent was unaware of the specific details required to be included in the report and the frequency of the need to report to the county boards.

Recommendations:

- A. The Regional Office of Education #22 should comply with the requirements of 105 ILCS 5/3-14.11.
- B. The Regional Superintendent should visit each public school annually to review all items as required by 105 ILCS 5/3-14.5.
- C. The Regional Superintendent should affirm to the county boards, in September and quarterly thereafter, a report of all of his acts as county superintendent.

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 Response:

- A. (105 ILCS 5/3-14.11) 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. (105 ILCS 5/3-14.5) The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 1.20 of the 23rd Illinois Administrative Code is a more current, thorough, and comprehensive requirement concerning visitation of public schools by the Regional Superintendent. As a result, the two parties working together will seek legislation to repeal section 5/3-14.5 of the Illinois School Code.
- C. (105 ILCS 5/3-5) The Regional Superintendent provides the county boards with annual information and financial reports according to the practices established by acts of predecessor Regional Superintendents and county boards. The Regional Superintendent will fully comply with the requirement to send quarterly reports to the boards.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

Section III – Federal Award Findings:

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

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
JUNE 30, 2006

Corrective Action Plan

Finding No: 06-1

Conditions:

- A. The Regional Office of Education #22 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 they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent has been examining school district financial statements on an annual basis.
- B. The Regional Office of Education #22 performs compliance inspections for each public school in his region on a rotational basis every four years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.
- C. The Regional Office of Education #22 did not present at the September county board meetings and as nearly quarterly thereafter, a report of all his acts including a list of all the schools visited and dates of visitation. The ROE did submit an annual report to its counties but the report did not contain all of the items mentioned in the School Code.

Corrective Action Plan:

- A. The Regional Offices of Education will request that the General Assembly delete 105 ILCS 5/3-14.11 from the statutes and will seek a legislative solution to other obsolete passages.
- B. The Regional Offices of Education will request that the General Assembly delete 105 ILCS 5/3-14.5 from the statutes and will seek a legislative solution to other obsolete passages.
- C. The Regional Superintendent will present under affirmation to the county board quarterly reports of all his acts as Regional Superintendent, including a list of all the schools visited with the dates of visitation, as indicated by 105 ILCS 5/3-5.

Anticipated Date of Completion:

As soon as practical.

Contact person:

Alan Coleman, Regional Superintendent

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
05-01	Controls over compliance with laws and regulations.	Repeated.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22

MANAGEMENT'S DISCUSSION AND ANALYSIS

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

The Regional Office of Education #22 for the Counties of Fulton and Schuyler 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, which follow.

2006 Financial Highlights

- Within the Governmental Funds, the General Fund revenues increased by \$17,779 from \$304,766 in FY05 to \$322,545 in FY06. General Fund expenditures decreased by \$2,639 from \$329,898 in FY05 to \$327,259 in FY06.
- Within the Governmental Funds, the Special Fund revenue increased by \$20,856 from \$501,456 in FY05 to \$522,312 in FY06. The Special Fund expenditures increased by \$20,914 from \$508,899 in FY05 to \$529,813 in FY06.

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 #22 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.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

- To assess the Regional Office's overall health, additional non-financial factors, such as new laws, rules, regulations, and actions by officials at the state level need to be considered.

The Government-wide financial statements present all of the Office's activities as government activities. Local, state and federal aid 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, which 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 #22 established other funds to control and manage money for particular purposes.

The Office has three kinds of funds:

- 1) Governmental funds account for all of the Office's services. These focus on how cash and other financial assets can be readily converted to cash flow in and out and the balances left at year-end 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 #22 in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds required financial statements include a Statement of Fiduciary Net Assets.
- 3) Proprietary funds, which include only an internal service fund, are used to account for the goods and services provided by one fund for the benefit of the school districts in the county. The proprietary funds required financial statements include a Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Fund Net Assets, and Statement of Cash Flows.

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

Office-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 \$367,282. At the end of FY05, the net assets were \$393,742. The analysis that follows provides a summary of the Office's net assets at June 30, 2006 and 2005, for the governmental activities.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

CONDENSED STATEMENT OF NET ASSETS

	<u>2006</u>	<u>2005</u>
	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activities</u>
Current Assets	\$ 371,088	\$ 353,527
Capital Assets, being depreciated, Net	<u>52,505</u>	<u>67,684</u>
Total Assets	<u>423,593</u>	<u>421,211</u>
Current Liabilities	56,311	21,577
Long-Term Liabilities	<u>-</u>	<u>5,892</u>
Total Liabilities	<u>56,311</u>	<u>27,469</u>
Net Assets:		
Invested in Capital Assets, net of related debt	52,505	61,792
Unrestricted	302,694	311,981
Restricted for teacher professional development	<u>12,083</u>	<u>19,969</u>
Total Net Assets	<u>\$ 367,282</u>	<u>\$ 393,742</u>

The Regional Office of Education's net assets decreased by \$26,460 from FY05. The decrease occurred primarily in the Governmental Fund as a result of scheduling major presenters for several county institutes and supplementing under-funded programs. 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>2006</u>	<u>2005</u>
	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activities</u>
Revenues:		
Program Revenues:		
Operating grants and contributions	\$ 412,524	\$ 392,304
General revenues:		
Local sources	128,837	128,113
State sources	2,000	2,000
On-behalf payments – State	186,679	193,606
On-behalf payments – Local	101,809	90,256
Interest	<u>12,847</u>	<u>4,343</u>
Total Revenues	<u>844,696</u>	<u>810,622</u>
Expenses:		
Program Expenses:		
Salaries and Benefits	410,497	390,379
Purchased Services	134,206	110,380
Supplies and Materials	18,836	22,740
Depreciation Expense	18,757	16,657
Other Objects	372	884
Administrative Expenses:		
On-behalf payments – State	186,679	193,606
On-behalf payments – Local	<u>101,809</u>	<u>90,256</u>
Total Expenses	<u>871,156</u>	<u>824,902</u>
Increase (Decrease) in Net Assets	(26,460)	(14,280)
Net Assets beginning of year	<u>393,742</u>	<u>408,022</u>
Net Assets end of year	<u>\$ 367,282</u>	<u>\$ 393,742</u>

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

Governmental Activities

For FY 06, revenues for governmental activities were \$844,696 and expenses were \$871,156. The Regional Office of Education #22 determined the increase in revenue between FY 06 and FY 05 was due to increased state aid for alternative programs. The increase between FY 06 and FY 05 in expenditures was due to expenses for several county institutes.

Financial Analysis of the Regional Office of Education #22 Funds

As previously noted, the Regional Office of Education #22 uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The Agency's Governmental Funds reported combined fund balances of \$306,984.

Governmental Fund Highlights:

- The dollar return on investments (savings and checking accounts), was increased because of rising interest rates.
- County support for the Regional Office of Education #22 increased by \$9,820. The Regional Office requested budget levels higher than the previous year due to a technology plan intended for FY06.
- There was an increase in the state aid foundation level to \$5,164 per student from \$4,964.

Budgetary Highlights:

The Regional Office of Education #22 annually adopts budgets for several funds. The Education Account and the Special Funds Budgets are prepared by the Regional Superintendent and serve as a guideline for activities and expenditures. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the two County Boards for their approval. The Office Operations Budget covers a fiscal year, which runs from December 1 to November 30. All grant budgets are prepared by the Regional Office of Education #22 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency. Schedules showing the budget amounts compared to the Office's actual financial activity are included in the supplementary information of this report.

Capital Assets

Capital Assets of the Regional Office of Education #22 include office equipment, computers, audio-visual equipment and office furniture. The Regional Office of Education #22 maintains an inventory of capital assets, which have been accumulated over time. The increase for FY06 was \$4,881 and came as a result of purchasing and upgrading copiers, purchasing a computer and the expense of a region wide program for defibrillators in all schools. In addition, the Regional Office of Education #22 has adopted a depreciation schedule, which reflects the level of Net Governmental Activities Capital Assets. More detailed information about capital assets is available in Note #5 to the financial statements.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

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 has increased to \$5,334 per student.
- The interest rate on investments remains low and will impact interest earned.
- Several grants have remained near or below previous levels. Only one school district is participating in the Gifted Program, resulting in the Regional Office supplementing the program.
- The FASTER grant will not be funded in FY07. The TAOEP grant funding for FY06 was increased over last year's grant.
- Technology - the Regional Office along with the entire group of Fulton County Offices in the courthouse became part of a county technology plan for GIS (Geographic Information System).
- Scheduling major presenters for County Teachers' Institutes & Conferences.
- County Board support of the Regional Office of Education #22 was reduced from the original requested budget for the period of time – December 1, 2005 to November 30, 2006. However, an increase of \$10,988 was requested for the FY07 county budget due to an increase in employees' salaries and benefits and increased office expenses previously covered by grant monies.

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 #22 at 100 N. Main St., Lewistown, IL 61542.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22

BASIC FINANCIAL STATEMENTS

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
 STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Primary Government Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 368,104
Due from other governmental units:	
State	29
Other receivable	2,500
Prepaid insurance	455
Total current assets	<u>\$ 371,088</u>
Noncurrent assets:	
Capital assets, being depreciated, net	<u>\$ 52,505</u>
Total noncurrent assets	<u>\$ 52,505</u>
Total Assets	<u><u>\$ 423,593</u></u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	\$ 10,822
Bank overdraft	29
Deferred revenue	45,460
Total current liabilities	<u>\$ 56,311</u>
<u>NET ASSETS</u>	
Investment in capital assets	\$ 52,505
Unrestricted	302,694
Restricted for teacher professional development	12,083
Total Net Assets	<u><u>\$ 367,282</u></u>

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

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u> <u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u> <u>Primary Government</u> <u>Governmental</u>	
Primary government:	<u>Expenses</u>	<u>Contributions</u>	<u>Activities</u>	<u>Total</u>
Governmental activities:				
Instructional services:				
Salaries and benefits	\$ 410,497	\$ 330,697	\$ (79,800)	\$ (79,800)
Purchased services	134,206	71,967	(62,239)	(62,239)
Supplies and materials	18,836	7,792	(11,044)	(11,044)
Capital outlay	-	2,068	2,068	2,068
Other objects	372	-	(372)	(372)
Depreciation expense	18,757	-	(18,757)	(18,757)
Administrative:				
On-behalf payments- State	186,679	-	(186,679)	(186,679)
On-behalf payments- Local	101,809	-	(101,809)	(101,809)
Total primary government	\$ 871,156	\$ 412,524	\$ (458,632)	\$ (458,632)
General Revenues:				
Local sources			\$ 128,837	\$ 128,837
State sources			2,000	2,000
Administrative:				
On-behalf payments- State			186,679	186,679
On-behalf payments- Local			101,809	101,809
Interest			12,847	12,847
Total general revenues			\$ 432,172	\$ 432,172
Changes in net assets			\$ (26,460)	\$ (26,460)
Net assets, beginning			393,742	393,742
Net assets, ending			\$ 367,282	\$ 367,282

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

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
 BALANCE SHEET
 GOVERNMENTAL FUNDS
JUNE 30, 2006

<u>ASSETS</u>	General <u>Fund</u>	Education <u>Fund</u>	Institute <u>Fund</u>	Nonmajor <u>Funds</u>	Total Governmental <u>Funds</u>
Cash	\$ 132,719	\$ 191,230	\$ 29,783	\$ 6,579	\$ 360,311
Due from other governmental units:					
State	-	29	-	-	29
Other receivable	-	2,500	-	-	2,500
Prepaid Insurance	-	455	-	-	455
Total Assets	\$ 132,719	\$ 194,214	\$ 29,783	\$ 6,579	\$ 363,295
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
Accounts payable	\$ 150	\$ 10,672	\$ -	\$ -	\$ 10,822
Bank overdraft	-	29	-	-	29
Deferred revenue	5,048	22,712	17,700	-	45,460
Total Liabilities	\$ 5,198	\$ 33,413	\$ 17,700	\$ -	\$ 56,311
FUND BALANCES:					
Unreserved, reported in:					
General fund	\$ 127,521	\$ -	\$ -	\$ -	\$ 127,521
Special revenue funds	-	160,801	12,083	6,579	179,463
Total Fund Balances	\$ 127,521	\$ 160,801	\$ 12,083	\$ 6,579	\$ 306,984
Total Liabilities and Fund Balances	\$ 132,719	\$ 194,214	\$ 29,783	\$ 6,579	\$ 363,295

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

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total Fund Balances - Governmental Funds	\$ 306,984
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore are not reported in the government funds.	49,805
Internal service funds are used to charge the costs of the Video Film Library. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.	<u>10,493</u>
Net assets of governmental activities	<u>\$ 367,282</u>

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

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Education Fund	Institute Fund	Nonmajor Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 32,947	\$ 74,095	\$ 17,621	\$ 4,174	\$ 128,837
State sources	-	359,092	-	2,600	361,692
Federal sources	-	52,832	-	-	52,832
Interest	12,536	194	117	-	12,847
Administrative:					
On-behalf payments- State	175,092	11,587	-	-	186,679
On-behalf payments- Local	101,809	-	-	-	101,809
Total Revenues	\$ 322,384	\$ 497,800	\$ 17,738	\$ 6,774	\$ 844,696
Expenditures:					
Instructional services:					
Salaries and benefits	\$ 17,542	\$ 389,100	\$ -	\$ 1,751	\$ 408,393
Purchased services	20,911	86,177	25,624	3,379	136,091
Supplies and materials	8,906	8,594	-	1,186	18,686
Capital outlay	2,466	2,415	-	-	4,881
Other objects	372	-	-	-	372
Administrative:					
On-behalf payments- State	175,092	11,587	-	-	186,679
On-behalf payments- Local	101,809	-	-	-	101,809
Total Expenditures	\$ 327,098	\$ 497,873	\$ 25,624	\$ 6,316	\$ 856,911
Excess of revenues over (under) expenditures	\$ (4,714)	\$ (73)	\$ (7,886)	\$ 458	\$ (12,215)
Other financing sources (uses)					
Other financing sources	\$ -	\$ -	\$ -	\$ -	\$ -
Other financing uses	(1,573)	-	-	-	(1,573)
Total other financing sources (uses)	\$ (1,573)	\$ -	\$ -	\$ -	\$ (1,573)
Net change in fund balance	\$ (6,287)	\$ (73)	\$ (7,886)	\$ 458	\$ (13,788)
Fund balances - beginning	133,808	160,874	19,969	6,121	320,772
Fund balances - ending	\$ 127,521	\$ 160,801	\$ 12,083	\$ 6,579	\$ 306,984

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

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
 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 \$ (13,788)

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	\$ 4,881	
Depreciation expense	<u>(18,757)</u>	(13,876)

Internal service funds are used by management to charge the costs of
 maintaining the video library. Expense, less depreciation, of the internal service
 fund is reported as governmental activities in its Statement of Activities. (2,775)

Write-off of remaining capital lease after cancellation of lease and disposal of copier:

Lease balance 6/30/05	\$ 5,892	
Less principal paid current year	(1,573)	
Less net book value on disposal	<u>(1,913)</u>	2,406

Some capital expenditures on the Statement of Revenues, Expenditures,
 and Changes in Fund Balances are for current year payments on the
 capital lease. The Statement of Activities expenses are reduced for the
 principal portion of the lease payments. 1,573

Change in net assets of governmental activities \$ (26,460)

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

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2006

	Governmental Activities- Internal Service <u>Film Library Fund</u>
ASSETS	
Current assets:	
Cash	\$ 7,793
Noncurrent assets:	
Equipment, net	2,700
Total Assets	\$ 10,493
 NET ASSETS	
Invested in capital assets	\$ 2,700
Unrestricted	7,793
Total Net Assets	\$ 10,493

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

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	Governmental Activities- Internal Service <u>Film Library Fund</u>
Revenues:	
District fees	\$ <u> -</u>
Expenditures:	
Salaries and benefits	\$ 2,104
Purchased services	521
Supplies and materials	150
Depreciation	<u> 1,364</u>
Total Expenses	\$ <u> 4,139</u>
Change in Net Assets	\$ (4,139)
Net Assets - Beginning of year	<u> 14,632</u>
Net Assets - End of year	<u><u> 10,493</u></u>

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

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Governmental Activities- Internal Service Film Library Fund
Cash flows from operating activities:	
Receipts from customers	\$ -
Payments to suppliers and providers of goods and services	(2,775)
Net cash used for operating activities	<u>\$ (2,775)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ (610)
Net cash used for capital and related financing activities	<u>\$ (610)</u>
Net decrease in cash	\$ (3,385)
Cash - beginning of year	<u>11,178</u>
Cash - end of year	<u><u>\$ 7,793</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (4,139)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	<u>1,364</u>
Net cash provided by (used for) operating activities	<u><u>\$ (2,775)</u></u>

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

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2006

	Agency Funds
ASSETS:	
Cash	\$ -
Due from other governmental units	<u>-</u>
Total Assets	<u><u>\$ -</u></u>
LIABILITIES:	
Due to other governmental units	<u>\$ -</u>
Total Liabilities	<u><u>\$ -</u></u>

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

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Regional Office of Education's (ROE) accounting policies conform to generally accepted accounting principles which are appropriate for local governmental units of this type.

A. Financial Reporting Entity

The Fulton/Schuyler Counties Regional Office of Education #22 was formed as a result of an Educational Service Region becoming a Regional Office of Education on August 7, 1995. The ROE operates under the School Code (105 ILCS 5/3 and 5/3A). Regional Office of Education #22 encompasses Fulton and Schuyler Counties in Illinois. A Regional Superintendent of Schools serves as chief administrative officer of the ROE and is elected pursuant to 105 ILCS 5/3 and 5/3a of The School Code. The principal financial duty of the Regional Superintendent is to receive and distribute monies due to school districts from general State aid, State categorical grants, and various other sources.

The regional superintendent is charged with responsibility for township fund lands, registration of the names of applicants for scholarships to State controlled universities; examinations and related duties; inspection of public schools; direction of teachers and school officers; to serve as the official advisor and assistant to school officers and teachers; to conduct teachers institutes as well as to aid and encourage the formation of other teacher meetings and assist in their management; evaluate the schools in the region; examine school treasurer's books, accounts, and vouchers; examine evidence of indebtedness; file and keep the returns of elections required to be returned to the Regional Superintendent's office; and file and keep the reports and statements returned by school treasurers and trustees.

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of any monies distributed to treasurers, board presidents, clerks and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #22's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required by law.

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

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

For the period ended June 30, 2006, the Regional Office of Education #22 applied for, received, and administered numerous State and federal programs and grants in assistance of the educational activities of the school districts in the region. Such activities are reported as a single major special revenue fund (Education Fund).

NOTES TO THE FINANCIAL STATEMENTS

B. Scope of the Reporting Entity

The ROE's reporting entity includes all related organizations for which it exercises oversight responsibility in accordance with Statement No. 14 of the Governmental Accounting Standards Board.

The ROE has developed criteria to determine whether outside agencies with activities which benefit the citizens of the ROE's geographic responsibility, including joint agreements which serve pupils from numerous school districts, should be included within its financial entity. The criteria include but are not limited to, whether the ROE exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The ROE is not aware of any entity, which would exercise such oversight as to result in the ROE being considered a component unit of the entity. Also applying the criteria, no other entity is considered a component unit of the ROE.

C. Basis of Presentation and Basis of Accounting

The financial activities of the Regional Office of Education #22 consist only of governmental activities. For its reporting purposes, the ROE has separate fund and government-wide financial statements and reconciles individual line items of fund financial data to government-wide data. A brief description of the ROE's government-wide and fund financial statements is as follows:

Government-wide Statements: The government-wide Statement of Net Assets and Statement of Activities report the overall financial activity of the ROE. The financial activities of the ROE consist only of governmental activities, which are primarily supported by State and Federal revenues.

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 at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the ROE gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. On an accrual basis, revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function (i.e. general government) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Basis of accounting refers to when revenues received and expenditures disbursed are recognized in the accounts and how they are reported on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Basis of Presentation and Basis of Accounting- continued

Fund Financial Statements: The fund financial statements provide information about the ROE's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining funds are aggregated and reported in a single column.

Governmental Funds – The Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accounting records and reports made by ROE officials are maintained on the cash basis of accounting. Under this method, revenue is recorded when collected and expenditures are recorded when disbursements are made. For purposes of these financial statements, the accounting for all the funds has been converted to the modified accrual basis, as required by generally accepted accounting principles. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

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

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Major Funds - Generally accepted accounting principles require that the general fund be reported as a major fund and that all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% of the total for all governmental funds also be reported as major funds. Accordingly, the ROE administers the following major governmental funds:

General Funds - General Funds are the general operating funds of the ROE. These funds account for all financial resources except those required to be accounted for in another fund. The ROE's General Fund accounts include the following:

General Fund – to account for the ROE's on-behalf payments from the State of Illinois and the counties to pay the salary and benefits of the Regional Superintendent, Assistant Regional Superintendent and clerical staff. It also funds programs not accounted for in another fund.

County Fund – used to account for funds provided by the County Boards of Fulton and Schuyler counties for the general office operations and maintenance.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Basis of Presentation and Basis of Accounting- continued

Education Funds - to account for grant funds administered by the Regional Office of Education. Revenue is provided by federal and State of Illinois grant funds. A description of the ROE's Educational funds follows:

Fastrac Program – to fund alternative school programs to increase the attainment of basic skills, work readiness or occupational skills and secondary diplomas or other credentials.

Gifted Program – to provide funds for programs to meet the unique needs of intellectually gifted students.

Regional Safe Schools – to provide funds for programs to increase safety and promote the learning environment in schools and to meet the particular educational needs of disruptive students more appropriately and individually in alternative educational environments.

Spoon River Academy – to provide schools funding for students that have a difficulty in learning in a standard school environment.

McCall Summer School – to provide funds for summer programs to increase safety and promote the learning environment in schools and to meet the particular educational needs of disruptive students more appropriately and individually in alternative educational environments.

Truants Alternative Education – to establish and expand program options outside of regular school attendance to prevent students from becoming chronic truants or dropping out of school and to focus on employability skills for those 16-21 years old.

Illinois Violence Prevention – to provide funds to prepare and administer workshops for teachers.

Reorganization Feasibility Study – funding for consultants to study the reorganization of the ROEs and school districts.

McKinney Homeless Children and Youth Program – to provide services to all homeless children and youths through a designated Homeless Liaison.

School & Community Assistance Team – a program that trains individuals for crisis management.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Basis of Presentation and Basis of Accounting- continued

Institute Fund – This fund accounts for the ROE’s stewardship of the assets held in trust for the benefit of the ROE’s teachers. Fees are collected from registration of teachers’ certificates of qualification. Monies are expended to conduct teachers’ institutes, conferences and workshops.

Non Major Funds – All non-major funds are aggregated and reported in a single column. The ROE administers the following non major governmental funds:

General Educational Development Fund - to account for the ROE’s administration of the GED Testing Program. Revenues are received from testing and diploma fees.

Bus Driver Fund - to account for the ROE’s stewardship of the assets held in trust in connection with the Bus Driver Training Program.

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

Proprietary Funds – The Proprietary Fund financial statements include a Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Fund Net Assets and Statement of Cash Flows. The ROE does not have any business-type enterprise funds but does have an internal service fund. Internal service funds are used to account for the goods and services provided by one fund for the benefit of the school districts in the county, rather than to the general public.

Internal Service Fund Types – The Regional Office of Education operates a film library which benefits the school districts in the counties it serves.

Fiduciary Fund Types – Agency Funds are used to account for assets held by the ROE in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The school districts within the ROE’s geographic responsibility have signed formal agreements which allow the ROE to retain any interest earned during the year. A description of the ROE’s fiduciary funds are as follows:

Distributive Fund - to account for the pass-through of State aid monies from the Regional Office of Education to the various school districts within the Region. At any given point in time, total fund assets are equally offset by related liabilities including amounts due to the parties for whom the assets are being held. Agency funds have no fund equity and do not involve measurement of revenues, expenditures, or expenses. The school districts have agreed that all interest will stay with the ROE.

Fulton Area Career System – to account for the fiduciary control of assets of the Fulton Area Career System. Funds were transferred to a new entity in early fiscal year 2006 and the ROE no longer has fiduciary control.

NOTES TO THE FINANCIAL STATEMENTS

D. Budget and Budgetary Accounting

The ROE does not adopt and is not legally required to adopt a formal budget for all revenues and expenditures of the governmental funds. The Regional Office of Education Funds are controlled by the Regional Superintendent of Education and the State of Illinois. Certain programs administered by the ROE are subject to budget approval by the State of Illinois. These include Regional Safe Schools and Truants Alternative Education. Various other programs with grant driven or internal budgets include Fastrac Program, Gifted Program, Spoon River Academy, and McKinney Homeless Children and Youth Program.

E. Assets, Liabilities and Net Assets

Deposits and investments

The ROE's cash and cash equivalents are considered to be demand deposits and short term investments. All interest income is recognized as revenue in the appropriate fund's Statement of Revenues, Expenditures and Changes in Fund Balance. Negative balances are shown separately as overdrafts.

Receivables and payables

Transactions between funds and other entities that are representative of the recognition of revenues or expenditures are referred to as "due to/from" the other funds or entities. "Other Funds" are funds managed by the ROE. "Other Governmental Units" include the Federal Government or political subdivisions of the State of Illinois.

Accounts payable represents amounts owed at the end of the year that will be paid in the next year. These are amounts due to vendors and others.

Capital assets

Capital assets, which include equipment, are reported in the government-wide financial statements. Capital assets, such as equipment, are defined as assets with a cost of \$500 or more. Capital assets are recorded at historical costs if purchased.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated over their estimated useful lives using the straight line method. Equipment is depreciated from 5-7 years and building improvements over 15 years.

Deferred revenue

Deferred revenue arises when resources are received by the ROE before it has a legal claim to them, as when monies are received prior to incurring qualifying expenditures (unearned). In subsequent periods, when both revenue recognition criteria are met, or when the ROE has a legal claim to the resources, revenue is recognized.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. Assets, Liabilities and Net Assets - continued

Net assets

In the government-wide financial statements, equity is displayed in three components as follows:

Investment in capital assets – This category groups all capital assets into one component of net assets. Accumulated depreciation on these assets reduces this category.

Unrestricted net assets – This category represents the net assets of the ROE that are not restricted for any project or other purpose.

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

F. Use of Estimates

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

G. Intergovernmental Agreement

On July 1, 2003, the Regional Office of Education #22 entered into an Intergovernmental Agreement executed pursuant to the provisions of the Intergovernmental Cooperation Clause of the Illinois Constitution as well as the provisions of the Intergovernmental Cooperation Act of 1973 and the Illinois Admin. Code 525.110.

The name of the Educational Service delivery system formed is known as the Mid-Illini Educational Cooperative. The Tazewell County Regional Office of Education was designated as Administrative Agent and as Director.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

H. New Accounting Pronouncements

Effective June 30, 2006, the ROE adopted Governmental Accounting Standards Board Statement No. 42, Accounting and Financial reporting for Impairment of Capital Assets and for Insurance Recoveries, which establishes standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Effective June 30, 2006, the ROE adopted Governmental Accounting Standards Board Statement No. 44, Economic Condition Reporting: The Statistical Section, which improves the understandability and usefulness of the statistical information section.

Effective June 30, 2006, the ROE adopted Governmental Accounting Standards Board Statement No. 46, Net Assets Restricted by Enabling Legislation (an amendment of GASB Statement No. 34), which clarifies the definition of legal enforceability as it relates net assets restricted by enabling legislation and requires disclosure of the amount of net assets restricted by enabling legislation.

There was no significant impact on the ROE's financial statements as a result of adopting these statements.

NOTE 2: DEPOSITS AND INVESTMENTS

The investment and deposit of ROE monies is governed by the provisions of the Illinois Revised Statutes. The ROE has no policy regarding custodial credit risk for deposits.

At June 30, 2006 the carrying amount of the ROE's deposits was \$368,075 (net of bank overdraft, \$29) and the bank balances were \$385,727. Of these balances, \$115,918 was covered by federal depository insurance and \$269,809 was collateralized with securities held in trust in the ROE's name.

NOTE 3: DUE FROM/TO OTHER GOVERNMENTAL UNITS

Due from other governmental units for unpaid portion of various programs due to Local Education Agencies consists of the following at June 30, 2006:

Due from United Workforce Development Board:	
Fastrac Program	\$29

NOTE 4: COMMON BANK ACCOUNT

The ROE does not maintain separate bank accounts for all funds. The accounting records being maintained show the portion of the common checking account balance attributable to each participating fund.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS

Capital asset activity during the 2006 fiscal year was as follows:

	Balance <u>7-1-05</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6-30-06</u>
Equipment	\$159,961	\$ 4,881	\$ 12,437	\$152,405
Less accumulated depreciation	<u>95,731</u>	<u>17,393</u>	<u>10,524</u>	<u>102,600</u>
Total	<u>\$ 64,230</u>	<u>\$ (12,512)</u>	<u>\$ (1,913)</u>	<u>\$ 49,805</u>

A summary of the Film Library Fund capital assets and related depreciation follows:

	Balance <u>7-1-05</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6-30-06</u>
Videos and films	\$43,300	\$ 610	\$ -	\$43,910
Furniture & equipment	<u>3,495</u>	<u>-</u>	<u>-</u>	<u>3,495</u>
Total	\$46,795	\$ 610	\$ -	\$47,405
Accumulated depreciation	<u>43,341</u>	<u>1,364</u>	<u>-</u>	<u>44,705</u>
Total	<u>\$ 3,454</u>	<u>\$ (754)</u>	<u>\$ -</u>	<u>\$ 2,700</u>
Total capital assets	<u>\$67,684</u>	<u>\$ (13,266)</u>	<u>\$ (1,913)</u>	<u>\$52,505</u>

NOTE 6: RETIREMENT FUND COMMITMENTS

A. Teachers' Retirement System of the State of Illinois

The ROE participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the System's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 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 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 0.80 percent.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: RETIREMENT FUND COMMITMENTS - continued

A. Teachers' Retirement System of the State of Illinois - continued

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

- **On-behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the ROE. For the year ended June 30, 2006, State of Illinois contributions were based on 7.06 percent of creditable earnings, and the ROE recognized revenue and expenditures of \$11,587 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 (\$19,771) and 13.98 percent (\$25,454), respectively.

The ROE 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 ending June 30, 2006 were \$952. Contributions for the years ended June 30, 2005 and June 30, 2004 were \$869 and \$1,377, respectively.
- **Federal and trust fund contributions.** When TRS members are paid from federal and trust funds administered by the ROE, there is a statutory requirement for the district 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 7.6 percent of salaries paid from federal and trust funds. For the two years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2006, salaries totaling \$32,000 were paid from federal and trust funds that required employer contributions of \$2,259. For the years ended June 30, 2005 and June 30, 2004, required ROE contributions were \$2,724 and \$3,520, respectively.

- **Early Retirement Option.** The ROE 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 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 meet certain conditions and retire on or before July 1, 2007. If members do not meet these conditions, they can retire under "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 calculation of 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. There were no retirements under the Early Retirement Option during the years ended June 30, 2006, 2005 and 2004.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: RETIREMENT FUND COMMITMENTS – continued

A. Teachers' Retirement System of the State of Illinois – continued

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 Website at www.tr Illinois.gov.

B. Illinois Municipal Retirement Fund

The ROE's defined benefit pension plan, Illinois Municipal Retirement (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a financial report that includes financial statements and required supplementary information. The report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by State statute. The employer is required to contribute at an actuarially determined rate. The employer rate for calendar year 2005 was 8.47% 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 ROE's annual pension cost of \$9,635 was equal to the ROE's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.0% per year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2005 actuarial valuation were based on the 2002-2004 experience study.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: RETIREMENT FUND COMMITMENTS – continued

B. Illinois Municipal Retirement Fund - continued

TREND INFORMATION			
Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
12/31/05	\$ 9,635	100%	\$ -
12/31/04	24,304	100%	-
12/31/03	17,767	100%	-
12/31/02	16,502	100%	-
12/31/01	14,055	100%	-
12/31/00	9,890	100%	-
12/31/99	10,561	100%	-
12/31/98	6,788	100%	-
12/31/97	4,740	100%	-
12/31/96	4,454	100%	-

NOTE 7: ON-BEHALF PAYMENTS

The State of Illinois made on-behalf payments for the Regional Office of Education #22 as follows:

Regional Superintendent salary	\$ 79,848
Assistant Regional Superintendent salary	71,864
Regional Superintendent benefits (Includes State paid insurance)	11,954
Assistant Regional Superintendent benefits (Includes State paid insurance)	11,426
TRS contributions	<u>11,587</u>
 Total	 <u>\$186,679</u>

The following salaries and benefit data for other employees of the ROE was calculated on data provided by Fulton County:

Salaries	\$ 59,972
Benefits	<u>41,837</u>
 Total	 <u>\$101,809</u>

NOTE 8: RISK MANAGEMENT

The Regional Office of Education #22 is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Regional Office has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with prior years. During the year ended June 30, 2006 and the two previous fiscal years, no settlement exceeded insurance coverage.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22

REQUIRED SUPPLEMENTARY INFORMATION
(Other than Management Discussion and Analysis)

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
ILLINOIS MUNICIPAL RETIREMENT FUND - SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2006
(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)
12/31/05	\$ 216,029	\$ 195,848	\$ (20,181)	110.30%	\$ 113,752	0.00%
12/31/04	188,559	195,308	6,749	96.54%	150,024	4.50%
12/31/03	153,946	163,138	9,192	94.37%	137,406	6.69%
12/31/02	133,926	159,171	25,245	84.14%	140,086	18.02%
12/31/01	115,434	136,558	21,124	84.53%	126,853	16.65%
12/31/00	91,876	109,163	17,287	84.16%	120,174	14.38%
12/31/99	70,139	84,431	14,292	83.07%	119,608	11.95%
12/31/98	48,802	52,817	4,015	92.40%	71,454	5.62%
12/31/97	36,380	55,495	19,115	65.56%	34,671	55.13%
12/31/96	26,888	30,233	3,345	88.94%	54,379	6.15%

On a market value basis, the actuarial value of assets as of December 31, 2005 is \$217,831. On a market basis, the funded ratio would be 111.22%.

*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 more early retirements are expected to occur.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22

OTHER SUPPLEMENTAL INFORMATION

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
 COMBINING SCHEDULE OF ACCOUNTS
 GENERAL FUND
JUNE 30, 2006

	General Fund	County Fund	Totals
<u>ASSETS</u>			
Cash	\$ 96,396	\$ 36,323	\$ 132,719
Due from other governmental units:			
State	-	-	-
Total Assets	\$ 96,396	\$ 36,323	\$ 132,719
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable	\$ 150	\$ -	\$ 150
Deferred revenue	-	5,048	5,048
Total Liabilities	\$ 150	\$ 5,048	\$ 5,198
Fund Balance:			
Fund Balances:			
Unreserved	\$ 96,246	\$ 31,275	\$ 127,521
Total Liabilities and Fund Balance	\$ 96,396	\$ 36,323	\$ 132,719

See accompanying Independent Auditors' Report.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 GENERAL FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2006.

	<u>General Fund</u>	<u>County Fund</u>	<u>Total</u>
Revenues:			
Local sources	\$ 3,878	\$ 29,069	\$ 32,947
State sources	-	-	-
Federal sources	-	-	-
Interest	12,536	-	12,536
Administrative:			
On-behalf payments- State	175,092	-	175,092
On-behalf payments- Local	101,809	-	101,809
 Total Revenues	 <u>\$ 293,315</u>	 <u>\$ 29,069</u>	 <u>\$ 322,384</u>
 Expenditures			
Salaries & benefits	\$ -	\$ 17,542	\$ 17,542
Purchased services	8,884	12,027	20,911
Supplies and materials	922	7,984	8,906
Capital outlay	1,417	1,049	2,466
Other Objects	-	372	372
Administrative:			
On-behalf payments- State	175,092	-	175,092
On-behalf payments- Local	101,809	-	101,809
 Total Expenditures	 <u>\$ 288,124</u>	 <u>\$ 38,974</u>	 <u>\$ 327,098</u>
 Excess of revenues over (under) expenditures	 <u>\$ 5,191</u>	 <u>\$ (9,905)</u>	 <u>\$ (4,714)</u>
 Other financing sources (uses)			
Other financing sources	\$ -	\$ -	\$ -
Other financing uses	-	(1,573)	(1,573)
 Total other financing sources (uses)	 <u>\$ -</u>	 <u>\$ (1,573)</u>	 <u>\$ (1,573)</u>
 Net change in fund balance	 \$ 5,191	 \$ (11,478)	 \$ (6,287)
 Fund Balance, Beginning of year	 91,055	 42,753	 133,808
 Fund Balance, End of year	 <u>\$ 96,246</u>	 <u>\$ 31,275</u>	 <u>\$ 127,521</u>

See accompanying Independent Auditors' Report.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
JUNE 30, 2006

	Fastrac Program	Gifted Program	Regional Safe Schools	Spoon River Academy	McCall Summer School	Truants Alternative Education	Illinois Violence Prevention	Reorganization Feasibility Study	McKinney Homeless Children and Youth Program	School & Community Assistance Team	Total
Cash	\$ -	\$ 21,386	\$ 111,696	\$ 44,630	\$ 2,509	\$ -	\$ 2,712	\$ 8,000	\$ -	\$ 297	\$ 191,230
Due from other governmental units:											
State	29	-	-	-	-	-	-	-	-	-	29
Other receivable	-	-	-	-	-	-	-	2,500	-	-	2,500
Prepaid insurance	-	-	455	-	-	-	-	-	-	-	455
Total Assets	\$ 29	\$ 21,386	\$ 112,151	\$ 44,630	\$ 2,509	\$ -	\$ 2,712	\$ 10,500	\$ -	\$ 297	\$ 194,214

LIABILITIES AND FUND BALANCES

LIABILITIES:											
Accounts payable	\$ -	\$ -	\$ -	\$ 172	\$ -	\$ -	\$ -	\$ 10,500	\$ -	\$ -	\$ 10,672
Bank overdraft	29	-	-	-	-	-	-	-	-	-	29
Deferred revenue	-	-	10,000	10,000	-	-	2,712	-	-	-	22,712
Total Liabilities	\$ 29	\$ -	\$ 10,000	\$ 10,172	\$ -	\$ -	\$ 2,712	\$ 10,500	\$ -	\$ -	\$ 33,413
FUND BALANCES:											
Unreserved	\$ -	\$ 21,386	\$ 102,151	\$ 34,458	\$ 2,509	\$ -	\$ -	\$ -	\$ -	\$ 297	\$ 160,801
Total Fund Balances	\$ -	\$ 21,386	\$ 102,151	\$ 34,458	\$ 2,509	\$ -	\$ -	\$ -	\$ -	\$ 297	\$ 160,801
Total Liabilities and Fund Balances	\$ 29	\$ 21,386	\$ 112,151	\$ 44,630	\$ 2,509	\$ -	\$ 2,712	\$ 10,500	\$ -	\$ 297	\$ 194,214

See accompanying Independent Auditors' Report.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2006

	Fastrac Program	Gifted Program	Regional Safe Schools	Spoon River Academy	McCall Summer School	Truants Alternative Education	Illinois Violence Prevention	Reorganization Feasibility Study	McKinney Homeless Children and Youth Program	School & Community Assistance Team	Total
REVENUES:											
Local sources	\$ -	\$ 27,985	\$ 18,185	\$ 17,525	\$ 7,400	\$ -	\$ -	\$ 3,000	\$ -	\$ -	\$ 74,095
State sources	-	-	137,318	129,875	-	84,399	-	7,500	-	-	359,092
Federal sources	41,757	-	2,875	-	-	-	-	-	8,200	-	52,832
Interest	-	194	-	-	-	-	-	-	-	-	194
Administrative- On-behalf payments- State	2,347	1,984	4,396	2,683	177	-	-	-	-	-	11,587
Total Revenues	\$ 44,104	\$ 30,163	\$ 162,774	\$ 150,083	\$ 7,577	\$ 84,399	\$ -	\$ 10,500	\$ 8,200	\$ -	\$ 497,800
EXPENDITURES:											
Salaries and benefits	\$ 40,735	\$ 28,801	\$ 115,158	\$ 117,514	\$ 6,783	\$ 76,411	\$ -	\$ -	\$ 3,698	\$ -	\$ 389,100
Purchased services	1,000	3,831	42,305	16,174	465	7,730	-	10,500	4,172	-	86,177
Supplies and materials	22	12	3,851	4,121	-	258	-	-	330	-	8,594
Capital outlay	-	-	2,415	-	-	-	-	-	-	-	2,415
Other objects	-	-	-	-	-	-	-	-	-	-	-
Administrative- On-behalf payments- State	2,347	1,984	4,396	2,683	177	-	-	-	-	-	11,587
Total Expenditures	\$ 44,104	\$ 34,628	\$ 168,125	\$ 140,492	\$ 7,425	\$ 84,399	\$ -	\$ 10,500	\$ 8,200	\$ -	\$ 497,873
Excess of revenues over (under) expenditures	\$ -	\$ (4,465)	\$ (5,351)	\$ 9,591	\$ 152	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (73)
Fund balances - beginning	-	25,851	107,502	24,867	2,357	-	-	-	-	297	160,874
Fund balances - ending	\$ -	\$ 21,386	\$ 102,151	\$ 34,458	\$ 2,509	\$ -	\$ -	\$ -	\$ -	\$ 297	\$ 160,801

See accompanying Independent Auditors' Report.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
 BUDGETARY COMPARISON SCHEDULES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2006

	Fastrac Program				Gifted Program			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
REVENUES:								
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 34,388	\$ 34,388	\$ 27,985	\$ (6,403)
State sources	-	-	-	-	-	-	-	-
Federal sources	47,000	47,000	41,757	(5,243)	-	-	-	-
Interest	-	-	-	-	-	-	194	194
On-behalf payments - State	-	-	2,347	2,347	-	-	1,984	1,984
Total Revenues	\$ 47,000	\$ 47,000	\$ 44,104	\$ (2,896)	\$ 34,388	\$ 34,388	\$ 30,163	\$ (4,225)
EXPENDITURES:								
Salaries and benefits	\$ 41,021	\$ 41,021	\$ 40,735	\$ 286	\$ 29,100	\$ 29,100	\$ 28,801	\$ 299
Purchased services	3,700	3,700	1,000	2,700	4,000	4,000	3,831	169
Supplies and materials	2,279	2,279	22	2,257	1,288	1,288	12	1,276
Capital outlay	-	-	-	-	-	-	-	-
Other objects	-	-	-	-	-	-	-	-
On-behalf payments - State	-	-	2,347	(2,347)	-	-	1,984	(1,984)
Total Expenditures	\$ 47,000	\$ 47,000	\$ 44,104	\$ 2,896	\$ 34,388	\$ 34,388	\$ 34,628	\$ (240)
Excess of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,465)	\$ (4,465)
Fund balances - beginning	-	-	-	-	25,851	25,851	25,851	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ 25,851	\$ 25,851	\$ 21,386	\$ (4,465)

See accompanying Independent Auditors' Report.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
BUDGETARY COMPARISON SCHEDULES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2006

	Regional Safe Schools			Spoon River Academy		
	Budgeted Amounts Original	Actual Amounts	Variance with Final Budget	Budgeted Amounts Original	Actual Amounts	Variance with Final Budget
REVENUES:						
Local sources	\$ -	\$ 18,185	\$ 18,185	\$ 17,500	\$ 17,525	\$ 25
State sources	81,482	137,318	53,466	129,875	129,875	-
Federal sources	-	2,875	2,875	-	-	-
Interest	-	-	-	-	-	-
On-behalf payments - State	-	4,396	4,396	-	2,683	2,683
Total Revenues	\$ 81,482	\$ 162,774	\$ 78,922	\$ 147,375	\$ 150,083	\$ 2,708
EXPENDITURES:						
Salaries and benefits	\$ 81,482	\$ 115,158	\$ (33,676)	\$ 123,770	\$ 117,514	\$ 6,256
Purchased services	-	42,305	(39,935)	22,726	16,174	6,552
Supplies and materials	-	3,851	(3,851)	4,000	4,121	(121)
Capital outlay	-	2,415	(2,415)	3,000	-	3,000
Other objects	-	-	-	-	-	-
On-behalf payments - State	-	4,396	(4,396)	-	2,683	(2,683)
Total Expenditures	\$ 81,482	\$ 168,125	\$ (84,273)	\$ 153,496	\$ 140,492	\$ 13,004
Excess of revenues over (under) expenditures	\$ -	\$ (5,351)	\$ (5,351)	\$ (6,121)	\$ 9,591	\$ 15,712
Fund balances - beginning	107,502	107,502	-	24,867	24,867	-
Fund balances - ending	\$ 107,502	\$ 102,151	\$ (5,351)	\$ 18,746	\$ 34,458	\$ 15,712

Note: The budget and actual information will not reconcile to the amounts in the combining Statements of Revenues, Expenditures, and Changes in Fund Balances due to the fact that the Regional Safe Schools receives a portion of local, state, and federal money not subject to grant budget requirements.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
BUDGETARY COMPARISON SCHEDULES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2006

	Truants Alternative Education			McKinney Homeless Children and Youth Program		
	Budgeted Amounts Original	Actual Amounts Final	Variance with Final Budget	Budgeted Amounts Original	Actual Amounts Final	Variance with Final Budget
REVENUES:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	89,786	84,399	84,399	-	-	-
Federal sources	-	-	-	8,200	8,200	8,200
Interest	-	-	-	-	-	-
On-behalf payments - State	-	-	-	-	-	-
Total Revenues	\$ 89,786	\$ 84,399	\$ 84,399	\$ 8,200	\$ 8,200	\$ -
EXPENDITURES:						
Salaries and benefits	\$ 78,413	\$ 76,689	\$ 76,411	\$ 3,699	\$ 3,698	\$ 1
Purchased services	11,010	7,510	7,730	4,101	4,172	(71)
Supplies and materials	363	200	258	400	330	70
Capital outlay	-	-	-	-	-	-
Other objects	-	-	-	-	-	-
On-behalf payments - State	-	-	-	-	-	-
Total Expenditures	\$ 89,786	\$ 84,399	\$ 84,399	\$ 8,200	\$ 8,200	\$ -
Excess of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying Independent Auditors' Report.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2006

<u>ASSETS</u>	<u>G.E.D.</u> <u>Fund</u>	<u>Bus Driver</u> <u>Fund</u>	<u>Supervisory</u> <u>Fund</u>	<u>Total</u>
Cash	\$ 5,053	\$ 1,356	\$ 170	\$ 6,579
Total Assets	\$ 5,053	\$ 1,356	\$ 170	\$ 6,579
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ -	\$ -	\$ -	\$ -
FUND BALANCES:				
Unreserved	\$ 5,053	\$ 1,356	\$ 170	\$ 6,579
Total Fund Balances	\$ 5,053	\$ 1,356	\$ 170	\$ 6,579
Total Liabilities and Fund Balances	\$ 5,053	\$ 1,356	\$ 170	\$ 6,579

See accompanying Independent Auditors' Report.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>G.E.D.</u> <u>Fund</u>	<u>Bus Driver</u> <u>Fund</u>	<u>Supervisory</u> <u>Fund</u>	<u>Total</u>
REVENUES:				
Local sources	\$ 3,290	\$ 884	\$ -	\$ 4,174
State sources	-	600	2,000	2,600
Total Revenues	<u>\$ 3,290</u>	<u>\$ 1,484</u>	<u>\$ 2,000</u>	<u>\$ 6,774</u>
EXPENDITURES:				
Salaries and benefits	\$ 701	\$ 1,050	\$ -	\$ 1,751
Purchased services	686	246	2,447	3,379
Supplies and materials	1,186	-	-	1,186
Total Expenditures	<u>\$ 2,573</u>	<u>\$ 1,296</u>	<u>\$ 2,447</u>	<u>\$ 6,316</u>
Excess of revenues over (under) expenditures	\$ 717	\$ 188	\$ (447)	\$ 458
Fund balances - beginning	<u>4,336</u>	<u>1,168</u>	<u>617</u>	<u>6,121</u>
Fund balances - ending	<u><u>\$ 5,053</u></u>	<u><u>\$ 1,356</u></u>	<u><u>\$ 170</u></u>	<u><u>\$ 6,579</u></u>

See accompanying Independent Auditors' Report.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 JUNE 30, 2006

	Distributive Fund	Fulton Area Career System	Total
<u>ASSETS</u>			
Cash	\$ -	\$ -	\$ -
Due from other governmental units	-	-	-
Total Assets	\$ -	\$ -	\$ -
<u>LIABILITIES</u>			
Due to others	\$ -	\$ -	\$ -
Total Liabilities	\$ -	\$ -	\$ -

See accompanying Independent Auditors' Report.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Balance</u> <u>7/1/2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2006</u>
<u>Distributive Fund</u>				
<u>ASSETS</u>				
Cash	\$ -	\$ 363,705	\$ 363,705	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 363,705</u>	<u>\$ 363,705</u>	<u>\$ -</u>
<u>LIABILITIES</u>				
Due to others	\$ -	\$ 363,705	\$ 363,705	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 363,705</u>	<u>\$ 363,705</u>	<u>\$ -</u>
<u>Fulton Area Career System</u>				
<u>ASSETS</u>				
Cash	\$ 26,103	\$ 1,357	\$ 27,460	\$ -
Due from other governmental units	1,290	-	1,290	-
Total Assets	<u>\$ 27,393</u>	<u>\$ 1,357</u>	<u>\$ 28,750</u>	<u>\$ -</u>
<u>LIABILITIES</u>				
Due to others	<u>\$ 27,393</u>	<u>\$ -</u>	<u>\$ 27,393</u>	<u>\$ -</u>
<u>Totals</u>				
<u>ASSETS</u>				
Cash	\$ 26,103	\$ 365,062	\$ 391,165	\$ -
Due from other governmental units	1,290	-	1,290	-
Total Assets	<u>\$ 27,393</u>	<u>\$ 365,062</u>	<u>\$ 392,455</u>	<u>\$ -</u>
<u>LIABILITIES</u>				
Due to others	\$ 27,393	\$ 363,705	\$ 391,098	\$ -
Total Liabilities	<u>\$ 27,393</u>	<u>\$ 363,705</u>	<u>\$ 391,098</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
 SCHEDULE OF DISBURSEMENTS TO OTHER ENTITIES
 DISTRIBUTIVE FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Regional Office of Education #22
General State Aid	\$ 182,238
Reorganization Incentive - Feasibility Study	7,500
State Free Lunch	207
School Breakfast Incentive	4
Bus Drivers Training	600
Truants Optional Education	84,399
Regional Safe School Program	83,852
Supervisory	2,000
National School Lunch Program	2,800
School Breakfast Program	75
Interest income transferred	30
	\$ 363,705

See accompanying Independent Auditors' Report.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22

FEDERAL COMPLIANCE SECTION

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Project #	Federal Expenditures 7/1/05-6/30/06
U.S. Dept. of Labor passed through United Workforce Development Board:			
(M) Fastrac - Workforce Investment Act Title I	17.259	CR-303	\$ 41,757
U.S. Dept. of Agriculture passed through ISBE:			
National School Lunch Program	10.555	2005-4210-00	\$ 316
National School Lunch Program	10.555	2006-4210-00	2,484
Total National School Lunch Program			\$ 2,800
School Breakfast Program	10.553	2005-4220-00	33
School Breakfast Program	10.553	2006-4220-00	42
Total School Breakfast Program			\$ 75
Total U.S. Dept. of Agriculture passed through ISBE			\$ 2,875
U.S. Dept. of Education passed through ISBE and Hancock/McDonough Regional Office of Education #26:			
McKinney Education for Homeless Children	84.196	2005-4920-00	\$ 8,200
Total Federal Awards			\$ 52,832

(M) Program was audited as a major program

The accompanying notes are an integral part of this schedule.

FULTON/SCHUYLER COUNTIES REGIONAL OFFICE OF EDUCATION #22
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Fulton/Schuyler Counties Regional Office of Education #22 and is presented on the modified accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: SUBRECIPIENTS

None

NOTE 3: DESCRIPTION OF MAJOR FEDERAL PROGRAM

The Fastrac Program is for in-school youth to increase the attainment of job seeking skills, workplace skills, values and career interests, and academic skills.

NOTE 4: NON-CASH ASSISTANCE

None

NOTE 5: AMOUNT OF INSURANCE

None

NOTE 6: LOANS OR LOAN GUARANTEES OUTSTANDING

None