

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION NO. 38**

Financial Audit

For the Year Ended June 30, 2006

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

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AGENCY OFFICIALS

Officials

Regional Superintendent

Ms. Jean Anderson
(current and during the audit period)

Assistant Regional Superintendent

Ms. Terri Hauter
(current and during the audit period)

Office Locations:

122 North McLean Street
Lincoln, IL 62656

Mason County Courthouse
Havana, IL 62644

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	3	4
Repeated Audit Findings	2	1
Prior recommendations implemented or not repeated	2	1

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
		Findings (<i>Government Auditing Standards</i>)
06-1	10	Controls Over Compliance with Laws and Regulations
06-2	14	Combining different bank accounts under one account code
06-3	15	General ledger system
		Findings and Questioned Costs (<i>Federal Compliance</i>)
None.		
		Prior Audit Findings not Repeated (<i>Government Auditing Standards</i>)
05-2	20	Incorrect posting of prior year's audit adjustments
05-3	20	Bank reconciliations do not reconcile to cash balance per general ledger
		Prior Findings Repeated (<i>Government Auditing Standards</i>)
05-1	20	Controls over compliance with laws and regulations
05-4	20	Combining different bank accounts under one account code

COMPLIANCE REPORT SUMMARY

(Continued)

EXIT CONFERENCE

An informal exit conference was held on September 25, 2006 at ROE No. 38. Attending were Antonio Davila, Jr., Manager and Ms. Sandy Blane, Administrative Assistant. Responses to the recommendations were provided by Sandy Blane orally on September 25, 2006. On December 20, 2006, Ms. Sandy Blane provided preliminary written management responses to the auditors. On March 15, 2007, Ms. Blane provided final responses by e-mail for findings 06-2 and 06-3.

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

FINANCIAL STATEMENT REPORT SUMMARY

FOR THE YEAR ENDED JUNE 30, 2006

The audit of the accompanying basic financial statements of the Logan/Mason/Menard Counties Regional Office of Education No. 38 was performed by Hill, Taylor LLC.

Based on their audit, the auditors expressed an unqualified opinion on the Regional Office of Education No. 38's basic financial statements.



Hill, Taylor LLC
Certified Public Accountants
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Chicago, Illinois 60603
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Member of the
American Institute
of Certified Public Accountants

Member of the
Illinois CPA Society

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 Logan/Mason/Menard Counties Regional Office of Education No. 38, as of and for the year ended June 30, 2006, which collectively comprise the Regional Office of Education No. 38's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Regional Office of Education No. 38's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Regional Office of Education No. 38, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 29, 2007 on our consideration of the Regional Office of Education No. 38's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of

that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 21 through 26 and 49 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional Office of Education No. 38's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Disbursements to School District Treasurers and Others – Distributive Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Disbursements to School District Treasurers and Others – Distributive Fund 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.

Hill, Taylor LLC

June 29, 2007



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**Report on Internal Control Over
Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
*Government Auditing Standards***

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Logan/Mason/Menard Counties Regional Office of Education No. 38, as of and for the year ended June 30, 2006, which collectively comprise the Regional Office of Education No. 38's basic financial statements and have issued our report thereon dated June 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Regional Office of Education No. 38's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Regional Office of Education No. 38's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06-2 and 06-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the

financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regional Office of Education No. 38'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, the 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.

Hill, Taylor LLC

June 29, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2006

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	___ yes	<u>X</u> no
Reportable conditions(s) identified that are not considered to be material weakness(es)?	<u>X</u> yes	___ no
Noncompliance material to financial statements noted?	___ yes	<u>X</u> no

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	___ yes	___ no	<u>N/A</u>
Reportable condition(s) identified that are not considered to be material weaknesses?	___ yes	___ no	<u>N/A</u>
Type of auditors’ report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	___ yes	___ no	<u>N/A</u>
Identification of major programs:	N/A		

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
N/A	

Dollar threshold used to distinguish Type A and Type B programs:	N/A		
Auditee qualified as low risk auditee?	___ yes	___ no	<u>N/A</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

Section II – Financial Statement Findings

Finding No. 06-1 – Controls Over Compliance with Laws and Regulations (A. Repeated from: 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 her educational service region, and if she finds any irregularities in them, to report them at once, in writing, to the trustees in Class II county school units, to the respective school boards of those 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 5/3-14.25 requires the Regional Office of Education to maintain, and make available to the public during regular business hours, a list of unfilled teaching positions within the region. The most current version of the list must be posted on or linked to the Regional Office of Education's Internet Web site. If the Regional Office of Education does not have an Internet web site, the Regional Superintendent of Schools must make the list available to the State Board of Education and the State Board of Education must post the list on the State Board of Education's Internet web site.
- 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 her acts as county superintendent, including a list of all the schools visited with the dates of visitation. (This mandate has existed in its current form since at least 1953.)
- D. The Illinois School Code 105 ILCS 5/3-14.5 requires the Regional Superintendent to visit each public school in the county at least once a year, noting the methods of instruction, the branches taught, the text-books used, and the discipline, government and general condition of the schools. (This mandate has existed in its current form since at least 1953.)
- E. The Illinois School Code 105 ILCS 5/3-7 states that each school district shall, as of June 30, each year, cause an audit to be made of its accounts. Each school district shall on or before October 15 of each year, submit an original and one copy of such audit to the Regional Superintendent of Schools. If any school district fails to supply the Regional Superintendent of Schools with a copy of such audit report on or before October 15, or within such time extended by the Regional Superintendent of Schools from that date, not to exceed 60 days, then it shall be the responsibility of the Regional Superintendent of Schools to cause such audit to be made.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

Section II – Financial Statement Findings

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

Conditions:

- A. The Regional Office of Education No. 38 is not examining all books, accounts, and vouchers of every school treasurer in her educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent has been examining school district financial statements on an annual basis.
- B. The Regional Office of Education No. 38 did not provide a listing on its website of all the unfilled teaching positions within the region.
- C. The Regional Office of Education No. 38 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all her acts including a list of all the schools visited and dates of visitation. While the Regional Superintendent did not attend the Menard County board meetings during 2006, she did attend some of the Mason and Logan Counties' board meetings in 2006.
- D. The Regional Office of Education No. 38 performs compliance inspections for each public school in her region on a rotational basis instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of 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.
- E. The Regional Office of Education No. 38 was unable to supply evidence that 6 of the 13 school district financial statement audit reports were submitted to the ROE by October 15, 2005 or by the extension date.

Effect:

The Regional Office of Education No. 38 did not comply with statutory requirements.

Causes:

- A. Because of the size and complexity of the budgets of its districts, as well as the additional duties for which the Office is mandated to comply, the Regional Office of Education No. 38 feels that the level of detail undertaken to monitor district financial information is sufficient.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

Section II – Financial Statement Findings (Continued)

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

Causes: (Continued)

- B. The Regional Office of Education No. 38 provided a listing on website links rather than having its own updated website; however the link did not work.
- C. The Regional Superintendent was unable to attend all of the required county board meetings in 2006.
- D. The Regional Office of Education No. 38 did not comply with this statute.
- E. The Regional Office of Education No. 38 does not maintain a log evidencing the receipt of the financial statements from the school districts and has no formal system for monitoring whether or not copies of financial statements are on hand.

Recommendations:

- A. The Regional Office of Education No. 38 should comply with the requirements of 105 ILCS 5/3-14.11.
- B. The Regional Office of Education No. 38 should ensure that the website listing of open teaching positions is maintained and updated as required by 105 ILCS 5/3-14.25.
- C. The Regional Superintendent should affirm to the county boards in September and quarterly thereafter, a report of all her acts as county superintendent including a list of all schools visited and dates of visitation as required by 105 ILCS 5/3-5.
- D. The Regional Office of Education No. 38 should visit each public school annually to review all items required by 105 ILCS 5/3-14.5.
- E. The Regional Office of Education No. 38 should maintain a log evidencing the dated receipt of the financial statements from the school districts and should implement a formal system for monitoring whether or not copies of financial statements are on hand as required by 105 ILCS 5/3-7.

Management's Responses:

- A. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 5/3-7 of the Illinois School Code is a more current, thorough, and comprehensive requirement concerning a public school district's financial transactions. As a result, the two parties working together will seek legislation to repeal section 5/3-14.11 of the Illinois School Code.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

Section II – Financial Statement Findings (Continued)

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

Management's Responses:

- B. Management is aware of this problem and we will correct this matter as soon as possible.
- C. Management is aware of this problem and we will correct this matter as soon as possible.
- D. The Illinois Association Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 1.20 of the 23rd Illinois Administrative Code is a more current, thorough, and comprehensive requirement concerning visitation of public schools by the Regional Superintendent. As a result, the two parties working together will seek legislation to repeal section 5/3-14.5 of the Illinois School Code.
- E. Management is aware of this problem and we will correct this matter as soon as possible.

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

Section II – Financial Statement Findings (Continued)

Finding No. 06-2 – Combining Different Bank Accounts under one Account Code (Repeated from: 05-4)

Criteria/specific requirement:

The Illinois State Board of Education's Regional Office of Education Accounting Manual requires Regional Offices to set up separate general ledger account codes for each banking institution.

Condition:

The Regional Office of Education No. 38 recorded several different bank accounts under the same general ledger account code.

Effect:

The posting of different bank accounts into one account code makes it difficult to reconcile cash balances from the bank reconciliations to the general ledger and could result in material misstatements.

Cause:

The Regional Office of Education No. 38 personnel did not follow the Regional Office of Education Accounting Manual in regard to setting up separate general ledger account codes for each bank institution.

Recommendation:

The Regional Office of Education No. 38 should maintain separate cash accounts in the general ledger in order to comply with the requirements set forth by the Illinois State Board of Education in the Regional Office of Education Accounting Manual.

Management's Response:

The Regional Office of Education No. 38 agrees to set-up separate cash accounts in the general ledger to comply with the requirements set forth by the Illinois State Board of Education in the Regional Office of Education Accounting Manual now that they understand what accounts are in question. These accounts will be set up on July 1, 2007.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

Section II – Financial Statement Findings (Continued)

Finding No. 06-3 – General Ledger System

Criteria/Specific requirement:

Sound internal controls require a complete general ledger that has the information to enable management to perform timely account reconciliations in order to identify errors and make corrections. A complete general ledger system includes all assets, liabilities, revenue and expense accounts.

Condition:

The Regional Office of Education No. 38 provided a partial general ledger system to the auditors which only included revenue and expense accounts.

Effect:

A complete set of financial statements cannot be generated without all the assets, liabilities, revenue and expense accounts.

Cause:

The RAP system which was previously utilized by ROE No. 38 and which was designed for auditors is no longer in operation. The new bookkeeping system that has been purchased in its place will not print our accrual information and is limited only for recording cash receipts and disbursements.

Recommendation:

The Regional Office of Education No. 38 should ensure that the accounting personnel receive more training on how to use the general ledger system to its full capacity.

Management's Response:

Management is aware of this problem, and it will be contacting the software company for any possible assistance in printing out reports that are requested by the auditors.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

Section III – Federal Awards Findings

Instances of Noncompliance:

None.

Reportable Conditions:

None.

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2006

Corrective Action Plan for current year audit findings

Finding No. 06-1. Noncompliance with State Mandates

Conditions:

- A. The Regional Office of Education No. 38 is not examining all books, accounts, and vouchers of every school treasurer in her educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent has been examining school district financial statements on an annual basis.
- B. The Regional Office of Education No. 38 did not provide a listing on its website of all the unfilled teaching positions within the region.
- C. The Regional Office of Education No. 38 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all her acts including a list of all the schools visited and dates of visitation. While the Regional Superintendent did not attend the Menard County board meetings during 2006, she did attend some of the Mason and Logan Counties' board meetings in 2006.
- D. The Regional Office of Education No. 38 performs compliance inspections for each public school in her region on a rotational basis instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of 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.
- E. The Regional Office of Education No. 38 was unable to supply evidence that 6 of the 13 school district financial statement audit reports were submitted to the ROE by October 15, 2005 or by the extension date.

Plans:

- A. We will seek a legislative solution to this and other obsolete passages.
- B. Management is aware of the problem and we will correct this matter as soon as possible.
- C. Management is aware of the problem and we will correct this matter as soon as possible.
- D. We will seek a legislative solution to this and other obsolete passages.
- E. Management is aware of the problem and we will correct this matter as soon as possible.

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2006

Corrective Action Plan for current year audit findings

Finding No. 06-1. Noncompliance with State Mandates

Anticipated Date of Completion:

- A. As soon as possible.
- B. As soon as possible.
- C. As soon as possible.
- D. As soon as possible.
- E. As soon as possible.

Name of Contact Person:

Sandy Blane, Administrative Assistant/Bookkeeper/Office Manager

Finding No. 06-2. Combining Different Bank Accounts under one Account code (Repeated from 05-4).

Condition:

The Regional Office of Education No. 38 recorded several different bank accounts under the same general ledger account code.

Plan:

We will make all adjustments and recommendations as suggested by the Auditor.

Anticipated Date of Completion:

As soon as possible.

Name of Contact Person:

Sandy Blane, Administrative Assistant/Bookkeeper/Office Manager

CORRECTIVE ACTION PLAN

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

Finding No. 06-3. General Ledger System

Condition:

The Regional Office of Education No. 38 provided a partial general ledger system to the auditors which only included revenue and expense accounts.

Plan:

We will obtain technical training and assistance.

Anticipated Date of Completion:

As soon as possible.

Name of Contact Person:

Sandy Blane, Administrative Assistant/Bookkeeper/Office Manager

Regional Office of Education No. 38
Summary Schedule of Prior Audit Findings
June 30, 2006

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
05-1	Controls over compliance with laws and regulations	Based on inquiry with the Agency, this finding has not been corrected. Repeated. Repeated on the Schedule of Findings and Question Costs as item 06-1.
05-2	Incorrect posting of prior year's audit adjustments	Based on our review of the new accounting system, this finding has been corrected. Not repeated.
05-3	Bank reconciliations do not reconcile to cash balance per general ledger	Based on our testing and review of the bank reconciliations to the cash on the trial balances, we noted no exceptions. Not repeated.
05-4	Different bank accounts combined under one account code	Based on our testing and review of cash, we noted different bank accounts under one account code. Repeated. Repeated on the Schedule of Findings and Question Costs as item 06-2.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2006

The Regional Office of Education No. 38 provides this Management’s Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the Agency’s financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$303,068 in fiscal year 2005 to \$318,510 in fiscal year 2006, and the General Fund expenditures increased from \$297,453 in fiscal year 2005 to \$301,501 in fiscal year 2006. The Regional Office of Education No. 38 experienced an increase in the General Fund’s fund balance from \$14,299 in fiscal year 2005 to \$37,332 in fiscal year 2006.
- The increase in General Fund revenues was attributable to the increase in County Support revenue, and increase of payments on behalf of the State. The increase in General Fund expenditures was primarily due to a small increase in operating expenses. The General Fund’s fund balance increased due to overall increase in county revenues.
- Education Fund revenues decreased from \$340,684 in fiscal year 2005 to \$89,631 in fiscal year 2006, and the Education Fund expenditures decreased from \$341,741 in fiscal year 2005 to \$87,757 in fiscal year 2006, because funds were accounted differently between years. The Education Fund’s fund balance experienced an increase from \$(758) in fiscal year 2005 to \$1,131 in fiscal year 2006 due to overall decrease in purchased services.

USING THIS ANNUAL REPORT

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

- Management’s Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency’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 No. 38 as a whole and present an overall view of the Agency’s finances.
- The fund financial statements tell how governmental services were financed in the short-term, as well as what remains for future spending. Fund financial statements report the Agency’s operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

USING THIS ANNUAL REPORT (Continued)

- Supplemental Information further explains and supports the financial statements with a comparison of the Agency’s detailed information for each category of funds and provides detailed information about the nonmajor 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 No. 38 as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the Agency’s assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the net assets can be an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Agency’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.

Fund Financial Statements

The fund financial statements provide detailed information about the Agency’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. State law requires the establishment of funds. The Regional Office of Education No. 38 established other funds to control and manage money for particular purposes.

The agency has two kinds of Fund classifications:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

Fund Financial Statements (Continued)

- 2) Fiduciary Funds account for services for which the Regional Office of Education No. 38 acts as a fiscal agent for individuals and private or governmental organizations. The fiduciary funds' required financial statements include a Statement of Fiduciary Net Assets.

A summary reconciliation between the Government-wide financial statements and the fund financial statements is included in the fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The Regional Office of Education No. 38's net assets at the end of fiscal year 2006 totaled \$173,319. At the end of fiscal year 2005, the net assets were \$151,155. The analysis that follows provides a summary of the Agency's net assets at June 30, 2006 and 2005 for governmental activities.

CONDENSED STATEMENT OF NET ASSETS

June 30, 2006 and 2005

Governmental Activities

	<u>2006</u>	<u>2005</u>
Current Assets	\$ 153,991	\$ 125,257
Capital Assets	19,871	25,898
Total Assets	<u>173,862</u>	<u>151,155</u>
Current Liabilities	<u>\$ 543</u>	<u>\$ -</u>
Total Liabilities	<u>543</u>	<u>-</u>
Net Asset		
Investment in capital assets, net of related debt	19,871	25,898
Unrestricted	83,263	54,162
Restricted for teacher professional development	<u>70,185</u>	<u>71,095</u>
Total Net Assets	<u>\$ 173,319</u>	<u>\$ 151,155</u>

The Regional Office of Education No. 38's net assets increased by \$22,164 from fiscal year 2005 to fiscal year 2006. The increase was primarily due to increases in county revenues and decreases in purchased services. In addition, net assets related to the Institute Fund are considered restricted for teacher professional development.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

CHANGES IN NET ASSETS

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

	<u>Governmental Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:				
Program revenues:				
Operating grants and contributions	\$ 92,631	\$ 343,686	\$ 92,631	\$ 343,686
General Revenues:				
Local sources	175,555	141,224	175,555	141,224
On-behalf payments	180,634	180,095	180,634	180,095
Interest	763	874	763	874
Total revenues	<u>449,583</u>	<u>665,879</u>	<u>449,583</u>	<u>665,879</u>
Expenses:				
Programs expenses:				
Salaries and benefits	175,248	176,194	175,248	176,194
Purchased services	50,268	292,760	50,268	292,760
Supplies and materials	6,631	4,441	6,631	4,441
Other objects	8,611	3,461	8,611	3,461
Depreciation	6,027	6,026	6,027	6,026
Administrative expenses:				
On- behalf payments - state	180,634	180,095	180,634	180,095
Total expenses	<u>427,419</u>	<u>662,977</u>	<u>427,419</u>	<u>662,977</u>
Changes in net assets	22,164	2,902	22,164	2,902
Net assets, beginning of year, as restated	<u>151,155</u>	<u>148,253</u>	<u>151,155</u>	<u>148,253</u>
Net assets, end of year	<u>\$ 173,319</u>	<u>\$ 151,155</u>	<u>\$ 173,319</u>	<u>\$ 151,155</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

Governmental Activities

Revenues for governmental activities were \$449,583 and expenses were \$427,419.

Financial Analysis of the Regional Office of Education No. 38 Funds

As previously noted, the Regional Office of Education No. 38 used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency’s Governmental Funds reported combined fund balances of \$153,448. This is an increase of \$28,191 from last year’s balance of \$125,257, as restated. The primary reason for the increase was due primarily to increases in county revenues and decreases in purchased services. However, Menard County did not pay their complete share of the operating budget during fiscal years 2006 and 2005.

Governmental Fund Highlights

- The County support requested for the Regional Office of Education No. 38 grew by approximately 1% over the last two County budget years.
- The Regional Office of Education No. 38 was successful in obtaining a grant for instructing coaches and teachers about “Asthma and the Athlete” from the Illinois Department of Health and Human Services.

Budgetary Highlights

The Regional Office of Education No. 38 annually adopts budgets for several funds when required by the granting Agency. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the three County Boards for their approval. The Office Operations covers a fiscal year of December 1 through November 30.

All grant budgets are prepared by the Regional Office of Education No. 38 and submitted to the granting Agency for approval; however, they are not legally required or adopted. Amendments must be submitted under guidelines established by the granting Agency. Schedules showing the budget amounts compared to the Agency’s actual financial activity are included in the supplementary information of this report.

Capital Assets

Capital Assets of the Regional Office of Education No. 38 include equipment, computers, audio-visual equipment and office furniture. The Regional Office of Education No. 38 maintains an

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

Capital Assets (Continued)

inventory of capital assets, which have been accumulated over time. The decrease for fiscal year 2006 was \$6,027 a result of equipment being depreciated. One computer was replaced during the fiscal year. The Regional Office of Education No. 38's capital asset balances for fiscal year 2006 is \$19,871, which is the total original cost of the capital assets less accumulated depreciation. More detailed information about capital assets is available in Note 6 to the financial statements.

Economic Factors and Next Year's Budget

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

- The interest rate on investments remains low and will impact interest earned.
- Truancy Programs' funding has been slightly increased.
- The School Services funding remains at a reduced level.
- The number of students served by the Regional Office of Education No. 38 is expected to slightly decrease.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the Agency's 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 No. 38, at 122 N. McLean Street, Lincoln, IL 62656.

Basic Financial Statements

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Primary government	
	Governmental activities	Total
Assets:		
Current assets:		
Cash	\$ 153,895	\$ 153,895
Due from other government agencies	96	96
Total current assets	153,991	153,991
Noncurrent assets:		
Capital assets, being depreciated, net	19,871	19,871
Total assets	<u>\$ 173,862</u>	<u>\$ 173,862</u>
Liabilities:		
Current liabilities:		
Due to other government agencies	\$ 543	\$ 543
Total Liabilities	<u>543</u>	<u>543</u>
Net assets:		
Investment in capital assets, net of related debt	19,871	19,871
Unrestricted	83,263	83,263
Restricted for teacher professional development	70,185	70,185
Total Net Assets	<u>\$ 173,319</u>	<u>\$ 173,319</u>

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

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38STATEMENT OF ACTIVITIESFOR THE YEAR ENDED JUNE 30, 2006

	<u>Expenses</u>	<u>Program revenues Operating grants and contributions</u>	<u>Net (expense)/revenue and changes in net assets</u>	
			<u>Primary government</u>	
			<u>Governmental activities</u>	<u>Total</u>
Functions/programs:				
Governmental activities:				
Instructional services:				
Salaries	\$ 156,325	\$ 60,498	\$ (95,827)	\$ (95,827)
Employee benefits	18,923	7,323	(11,600)	(11,600)
Purchased services	50,268	18,869	(31,399)	(31,399)
Supplies and materials	6,631	2,566	(4,065)	(4,065)
Other objects	8,611	3,375	(5,236)	(5,236)
Depreciation	6,027	-	(6,027)	(6,027)
Administrative:				
On-behalf payments - State	180,634	-	(180,634)	(180,634)
Total governmental activities	<u>\$ 427,419</u>	<u>\$ 92,631</u>	<u>(334,788)</u>	<u>(334,788)</u>
General revenues:				
Local sources			175,555	175,555
Interest income			763	763
On behalf payments - State			180,634	180,634
Total general revenues			<u>356,952</u>	<u>356,952</u>
Change in net assets			22,164	22,164
Net assets - July 1, 2005, as restated			<u>151,155</u>	<u>151,155</u>
Net assets - June 30, 2006			<u>\$ 173,319</u>	<u>\$ 173,319</u>

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

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38BALANCE SHEETGOVERNMENTAL FUNDSJUNE 30, 2006

	General fund	Education fund	Institute fund	G.E.D. fund	Other nonmajor funds	Total governmental funds
Assets:						
Cash	\$ 37,875	\$ 1,131	\$ 70,089	\$ 27,305	\$ 17,495	\$ 153,895
Due from other government agencies	-	-	96	-	-	96
Total assets	<u>\$ 37,875</u>	<u>\$ 1,131</u>	<u>\$ 70,185</u>	<u>\$ 27,305</u>	<u>\$ 17,495</u>	<u>\$ 153,991</u>
Liabilities:						
Due to other government agencies	543	-	-	-	-	543
Total Liabilities	<u>543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>543</u>
Fund Balances:						
Unreserved, reported in:						
General fund	\$ 37,332	\$ -	\$ -	\$ -	\$ -	\$ 37,332
Special revenue fund	-	1,131	70,185	27,305	17,495	116,116
Total fund balances	<u>37,332</u>	<u>1,131</u>	<u>70,185</u>	<u>27,305</u>	<u>17,495</u>	<u>153,448</u>
Total liabilities and fund balances	<u>\$ 37,875</u>	<u>\$ 1,131</u>	<u>\$ 70,185</u>	<u>\$ 27,305</u>	<u>\$ 17,495</u>	<u>\$ 153,991</u>

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

JUNE 30, 2006

Total fund balances - governmental funds

\$ 153,440

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds

19,871

Net assets of governmental activities

\$ 173,319

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

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	General fund	Education fund	Institute fund	G.E.D. fund	Other nonmajor funds	Total governmental funds
Revenue:						
Federal sources	\$ -	\$ 12,300	\$ -	\$ -	\$ -	\$ 12,300
State sources	-	77,331	-	-	3,000	80,331
Local sources	137,876	-	21,601	4,810	11,268	175,555
On behalf payments - State	180,634	-	-	-	-	180,634
Total revenue	318,510	89,631	21,601	4,810	14,268	448,820
Expenditures:						
Current:						
Salaries	88,288	68,037	-	-	-	156,325
Employee benefits	10,376	8,547	-	-	-	18,923
Purchased services	9,981	10,470	15,225	2,910	11,682	50,268
Supplies and materials	4,117	442	1,813	33	226	6,631
Other objects	8,105	261	120	-	125	8,611
Administrative:						
On-behalf payments - State	180,634	-	-	-	-	180,634
Total expenditures	301,501	87,757	17,158	2,943	12,033	421,392
Excess/(deficiency) of revenue over/(under) expenditures	17,009	1,874	4,443	1,867	2,235	27,428
Other financing sources/(uses):						
Transfers in	5,980	7,200	76	-	-	13,256
Transfers out	-	(7,200)	(6,025)	(11)	(20)	(13,256)
Interest	44	15	596	-	108	763
Total other financing sources/(uses)	6,024	15	(5,353)	(11)	88	763
Net changes in fund balances	23,033	1,889	(910)	1,856	2,323	28,191
Fund balances - July 1, 2005, as restated	14,299	(758)	71,095	25,449	15,172	125,257
Fund balances - June 30, 2006	\$ 37,332	\$ 1,131	\$ 70,185	\$ 27,305	\$ 17,495	\$ 153,448

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

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIESGOVERNMENTAL FUNDSFOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balances - governmental funds	\$ 28,191
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense

(6,027)

Change in net assets of governmental activities

\$ 22,164

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

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38STATEMENT OF FIDUCIARY NET ASSETSFIDUCIARY FUNDSJUNE 30, 2006

	<u>Agency funds</u>
Assets:	
Cash	\$ <u>1,565</u>
Total assets	\$ <u>1,565</u>
Liabilities:	
Due to other government agencies	\$ <u>1,565</u>
Total liabilities	\$ <u>1,565</u>

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

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

1. Organization Description

The Regional Office of Education No. 38 was formed under the provisions of the State of Illinois, Illinois Board of Education.

The Logan, Mason, and Menard Counties Regional Office of Education No. 38 is an entity that is a result of two Educational Service Regions becoming a Regional Office of Education as of August 1, 1979. The Logan/Mason/Menard Counties Regional Office of Education No. 38 operates under the School Code (105 ILCS 5/3 and 5/3A). The Regional Office of Education No. 38 encompasses Logan, Mason, and Menard Counties, Illinois. A Regional Superintendent of Schools serves as Chief Administrative Officer of the Regional Office of Education No. 38 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 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; visitation of public schools; direction of teachers and school officers; to serve as the official advisor and assistant of 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 money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before September 30; maintenance of a map and numbering of the Regional Office of Education No. 38's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State laws; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related actions as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

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

The Regional Superintendent is also responsible for apportionment and payments 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 bond and that the district has certified publication of the annual financial report. The Regional Superintendent is required to provide opinions and advice related to controversies under school law.

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

1. Organization Description (Continued)

For the period ended June 30, 2006, the Regional Office of Education No. 38 applied for, received and administered State and Federal programs and grants in assistance and support of the educational activities of the school districts of the Regional Office of Education No. 38. Such activities are reported as a single major special revenue fund (Education Fund).

2. Summary of Significant Accounting Policies

The financial statements of the Regional Office of Education No. 38 have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

a. Financial Reporting Entity

The Regional Office of Education No. 38's reporting entity includes all related organizations for which the Regional Office of Education No. 38 exercises oversight responsibility.

The Regional Office of Education No. 38 has developed criteria to determine whether outside agencies with activities that benefit the citizens of the Regional Office of Education No. 38, including joint agreements that serve pupils from numerous school districts, should be included within its financial reporting entity. The criteria include but are not limited to, whether the Regional Office of Education No. 38 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The Regional Office of Education No. 38 acts as the administrative agent for the Regional Vocational Delivery System (a joint agreement). As administrative agent, the Regional Office of Education No. 38 receives and distributes the Regional Vocational Delivery System's funding.

The joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the Regional Office of Education No. 38 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education No. 38 is not aware of any entity, which would exercise such oversight as to result in the Regional Office of Education No. 38 being considered a component unit of the entity.

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

2. Summary of Significant Accounting Policies (Continued)

b. Basis of Presentation

Governmental-wide and Fund Financial Statements

The government-wide financial statements (i.e. Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effects of interfund activity have been removed from these statements. Governmental activities include programs supported by State and Federal grants and other intergovernmental revenues.

The Regional Office of Education No. 38's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental activities for the Regional Office of Education No. 38 accompanied by a total column. These statements are presented on an "economic resources" measurement as prescribed by GASB Statement No. 34. All of the Regional Office of Education No. 38's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Assets. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges for services, and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, such as payables, receivables and transfers. Interfund activities between governmental funds appear as due to/due from on the governmental fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances. All interfund transactions between governmental funds are eliminated on the government-wide financial statements. All internal balances in the Statement of Net Assets have been eliminated.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain differences in fund balances and changes in fund balances as presented in these statements to the net assets

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

2. Summary of Significant Accounting Policies (Continued)

b. Basis of Presentation (Continued)

Governmental Fund Financial Statements (Continued)

and changes in net assets presented in the government-wide financial statements.

The governmental fund financial statements have been prepared in accordance with generally accepted accounting principles on the modified accrual basis. 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. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for prepaid expenses and other long-term obligations, which are recognized when paid.

c. Measurement Focus and Basis of Accounting

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

The governmental funds financial statements focus on the measurement of spending or “financial flow” and the determination of changes in financial position, rather than upon net income determination. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) is considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during the 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 Regional Office of Education No. 38, therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenue at the time of receipt or earlier if the susceptible to accrual criteria are met.

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

2. Summary of Significant Accounting Policies (Continued)

d. Fund Accounting

The Regional Office of Education No. 38 uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Regional Office of Education No. 38 uses governmental and fiduciary funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are reported. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as a fund balance.

As prescribed by GASB 34, governmental fund reporting focuses on the major funds, rather than fund type. There is a two-step process for determining if a fund should be reported as a major fund: (1) total assets, liabilities, revenues or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for the fund type, and (2) total assets, liabilities, revenues or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and proprietary funds combined. Funds that do not meet the major fund determination requirements are reported in aggregate as nonmajor funds. The Regional Office of Education No. 38 has presented all major funds that meet the above qualifications.

The Regional Office of Education No. 38 reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Regional Office of Education No. 38. It is used to account for the expenditures, which benefit all school districts in the region except those required to be accounted for in other funds. General funds include the following:

Operating Fund – This fund accounts for the support that provides funding for the Regional Office of Education No. 38.

Indirect Cost Fund – This fund accounts for the indirect costs for the Regional Office of Education No. 38.

Payroll Fund – The fund accounts for the payroll for the Regional Office of Education No. 38. In 2006, this fund was classified separately in its own fund.

Operating/Land Transfer Fund – The Regional Office of Education is responsible for Land Transfer petitions. A person wishing to send their child to another school district

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

2. Summary of Significant Accounting Policies (Continued)

d. Fund Accounting (Continued)

can petition the Regional Board of School Trustees to detach their property from one district and annex it to another. The petitioner is required to pay for this process and this account tracks the money that they pay to the office.

Major Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than fiduciary or major capital projects) that are legally restricted to expenditures for specified purposes. Major special revenue funds include the following:

Education Fund – This fund is used to account for various grant and education enhancement programs as follows:

Truants Alternative/Optional Education – This fund is used to account for a grant that provides truancy guidance and alternative education options for applicable students within the region.

McKinney Education for Homeless Children – This program facilitates the enrollment, attendance and educational success of homeless children and youths so that they have an opportunity to meet the same challenging State standards to which all students are held.

The Hancock/McDonough Regional Office of Education receives the McKinney Homeless funds and then sends the Regional Office of Education No. 38 an approved budgeted portion of the grant to pay for a Homeless Coordinator.

General Education Development Fund – This fund is used to account for the administration of General Education Development testing for applicants within the region.

The Institute Fund accounts for teacher registration fees. These 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 the aforementioned activities.

The Institute Fund receives money from Teacher Certification fees to be used for Teacher in-service Workshops or other items pertaining to the teachers in the region. Checks are written out of this account. The Institute Fund also includes an investment account which is a 7-day CD at a local bank. The investment account receives no other money, except by transfer, and writes no checks.

The Institute Fund shares a bank account with GED and Bus Driver Funding.

The Regional Office of Education No. 38 reports the following nonmajor governmental funds:

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

2. Summary of Significant Accounting Policies (Continued)

d. Fund Accounting (Continued)

Nonmajor Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than fiduciary or major capital projects) that are legally restricted to expenditures for specified purposes. Nonmajor special revenue funds include the following:

Supervisory Fund – This fund accounts for proceeds provided to the Regional Superintendent by the Illinois State Board of Education to be used for travel and related purposes.

Media Materials Fund – This fund is used to account for library and video materials that are available to all the districts in the region.

Bus Driver Fund – This fund is used to account for the testing and training of bus drivers for the districts within the region.

Substitute Teacher Fingerprinting Fund – This fund is used to account for fingerprinting services for new substitute teachers in the region.

Asthma Education – This fund is used to account for asthma education materials for all the districts in the region.

Fiduciary Funds

Agency Funds – Agency Funds are used to account for assets held by the Regional Office of Education No. 38 in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Distributive Fund – This fund is used to track the flow-through of funds from the Illinois State Board of Education (ISBE) to the recipients and the programs that the Regional Office of Education No. 38 serves as the administrative agent.

Regional Vocational Delivery System Fund (RVDS) – The Logan/Mason/Menard Educational Service Region Lincolnland Regional Vocational Delivery System consists of 10 Logan/Mason/Menard Counties school districts and 1 from Sangamon County, whose students generate vocational credits which are reimbursed through the Careers and Technical Education Improvement grant (“CTEI”) and Perkins III Grant. The RVDS’ governing board consists of the 11 superintendents and the Regional Superintendent who hire a RVDS director and special population’s coordinator, both of whom oversee the compliance with the grants and distribution of grant allocations.

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

2. Summary of Significant Accounting Policies (Continued)

d. Fund Accounting (Continued)

Interest earned on distributive funds is distributed to schools and other organizations on a bi-annual basis.

e. Fund Balances and Net Assets

Effective for the year ending June 30, 2005, the Regional Office of Education No. 38 adopted GASB 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 to 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 Regional Office of Education No. 38 financial statements as a result of adopting this statement.

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

The Statement of Net Assets include the following:

Investment in Capital Assets, net of related debt – the component of net assets that reports the difference between capital assets less both accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of these assets.

Unrestricted – the difference between the assets and liabilities that is not reported as Net Assets Invested in Capital Assets, net of Related Debt.

f. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit. The Regional Office of Education No. 38 considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

g. Inventory

Inventory is not recorded. The cost is recorded as an expenditure at the time individual inventory items are purchased.

h. Capital Assets

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes standards for impairment of capital assets and clarifies

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

2. Summary of Significant Accounting Policies (Continued)

h. Capital Assets

and establishes accounting requirements for insurance recoveries. The Regional Office of Education No. 38 has not yet determined the impact on its financial statements as a result of adopting this statement.

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Office equipment furniture	8 – 15 years
Computer equipment	5 – 8 years
Leasehold improvements	15 – 25 years

i. Compensated Absences

Employees who work 12 calendar months earn up to 20 vacation days for a full year of service. The accumulated total of vacation days may never exceed 30 days. In the event that a program terminates, no vacation days will be honored past the ending date of the program. Employees who work less than 12 calendar months per year do not earn vacation days.

Employees receive up to 12 sick days annually and the unused portion is accumulated up to 180 days and carried forward. Employee sick leave is recorded when paid. Upon termination, employees do not receive any accumulated sick leave pay and therefore, no liability is accrued.

j. Estimates

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

k. Budget Information

The Regional Office of Education No. 38 acts as the administrative agent for certain grant programs that are accounted for in the General and Education Funds. Certain programs have separate budgets and are required to report to the Illinois State Board of Education; however, none of the budgets have been legally adopted, nor are they required to be. The General Fund and certain programs within the Special Revenue Fund do not have separate budgets. Comparisons of budgeted and actual results are presented as supplemental information. Budget information has been provided in supplementary schedules for the Operating Fund, Truant Alternative/Optional Education Fund and McKinney Education for Homeless Children.

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

3. Deposits and Investments

a. Deposits

Effective for the year ending June 30, 2005, the Regional Office of Education No. 38 adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*, which adds, modifies, and eliminates certain risk disclosures related to deposits and investments. There was no significant impact on the Regional Office of Education No. 38's financial statements as a result of adopting this statement.

The Regional Office of Education No. 38 is allowed to invest in securities as authorized by 30 ILCS-235/2 and 6 and 105 ILCS-5/8-7.

At June 30, 2006, the carrying amount and bank balance of the Regional Office of Education No. 38's Governmental Fund deposits was \$153,895 and \$174,782, respectively. The Agency Fund carrying amount and bank balances was the same amount of \$1,565 at June 30, 2006. All deposits are fully insured through the Federal Depository Insurance Corporation (FDIC). The deposits are categorized in accordance with risk factors credited by governmental reporting standards.

The Regional Office of Education No. 38 has no policy regarding custodial credit risk for deposits.

b. Investments

The Regional Office of Education No. 38 does not have a formal investment policy. As of June 30, 2006, the Regional Office of Education No. 38 did not have investments.

4. Due to Other Government Agencies

The Regional Office of Education No. 38's Distributive Fund have funds due to other government agencies which consists of the following:

Accumulated Interest Payable	<u>\$ 1,565</u>
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The Regional Office of Education No. 38's Payroll and Indirect Cost Funds have funds due to other government agencies as follows:

Payroll Fund	<u>\$ 65</u>
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Indirect Cost Fund	<u>\$ 478</u>
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5. Due from Other Government Agencies

The Regional Office of Education No. 38's Institute Fund has funds due from other government agencies which consisted of the following:

Due from other government agencies:

Institute Fund

Teacher Certificate	<u>\$ 96</u>
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NOTES TO FINANCIAL STATEMENTS
(Continued)
FOR THE YEAR ENDED JUNE 30, 2006

6. Capital Assets

In accordance with GASB Statement No. 34, the Regional Office of Education No. 38 has reported capital assets in the government-wide Statement of Net Assets. Purchases are reported as capital outlay in the government fund statements. The following table provides a summary of changes in capital assets for the year ended June 30, 2006:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net transfers</u>	<u>Balance June 30, 2006</u>
Governmental activities:					
<u>General Fund</u>	\$ 29,879	\$ -	\$ -	\$ -	\$ 29,879
ROE Operations					
<u>Education Fund</u>					
Truants Alternative/ Optional Education	23,071	-	-	-	23,071
<u>Governmental Funds</u>					
Total Assets	<u>\$ 52,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,950</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

6. Capital assets (Continued)

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expenses for the year ended June 30, 2006 of \$6,027 was charged to governmental activities. The following table provides a summary of changes in accumulated depreciation for the year ended June 30, 2006:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net transfers</u>	<u>Balance June 30, 2006</u>
Governmental activities:					
<u>General Fund</u>	\$ 14,937	\$ 3,657	\$ -	\$ -	\$ 18,594
ROE Operations					
<u>Education Fund</u>					
Truants Alternative/ Optional Education	<u>12,115</u>	<u>2,370</u>	<u>-</u>	<u>-</u>	<u>14,485</u>
Governmental funds total accumulated depreciation	<u>\$ 27,052</u>	<u>\$ 6,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,079</u>

LOGAN/MASON/MENARD COUNTIES – REGIONAL OFFICE OF EDUCATION NO. 38

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

6. Capital Assets (Continued)

Investment in capital assets is the component of net assets that reports capital assets net of accumulated depreciation. The following table provides a summary of changes in investment in fixed assets for the year ended June 30, 2006:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net</u> <u>transfers</u>	<u>Balance</u> <u>June 30, 2006</u>
Governmental activities:					
<u>General Fund</u>	\$ 14,313	\$ (3,657)	\$ -	\$ -	\$ 10,656
ROE Operations					
<u>Education Fund</u>					
Truants Alternative/ Optional Education	<u>11,585</u>	<u>(2,370)</u>	<u>-</u>	<u>-</u>	<u>9,215</u>
Governmental funds investment in capital assets	<u>\$ 25,898</u>	<u>\$ (6,027)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,871</u>

7. Defined Benefit Pension Plan

Effective for the year ending June 30, 2005, the Regional Office of Education No. 38 adopted provisions related to pension transactions of Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit (OPEB) Expenditures/Expense and Liabilities by Cost-Sharing Employers* which clarifies pension and OPEB expenditure recognition requirements for cost-sharing employers. There was no significant impact on the Regional Office of Education No. 38's financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2006, the Regional Office of Education No. 38 will also adopt GASB Statement No. 47, *Accounting for Termination Benefits*, which establishes accounting and financial reporting standards for termination benefits. The Regional Office of Education No. 38 has not yet determined the impact on its financial statements as a result of adopting this statement.

The Regional Office of Education No. 38's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF is an agent multiple-employer plan that 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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006**7. Defined Benefit Pension Plan (Continued)**

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

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The Regional Office of Education No. 38 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2005 was 2.00% of payroll. The Regional Office of Education No. 38's 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 Regional Office of Education No. 38's annual pension cost of \$3,202 was equal to the Regional Office of Education No. 38'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) project salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2005 actuarial valuation were based on the 2002-2004 experience study.

Trend Information

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2005	\$ 3,202	100%	\$ -
12/31/2004	14,979	100%	-
12/31/2003	3,144	100%	-
12/31/2002	3,932	100%	-
12/31/2001	8,845	100%	-
12/31/2000	3,697	100%	-
12/31/1999	2,876	100%	-
12/31/1998	5,979	100%	-
12/31/1997	1,795	100%	-
12/31/1996	1,735	100%	-

NOTES TO FINANCIAL STATEMENTS

(Continued)

FOR THE YEAR ENDED JUNE 30, 2006

8. Risk Management

The Regional Office of Education No. 38 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation and natural disasters.

9. On Behalf Payments

The State of Illinois paid the following salaries on behalf of the Regional Office of Education No. 38:

Regional Superintendent	\$ 84,737
Regional Superintendent fringe benefits (including State paid insurance)	10,093
Assistant Regional Superintendent	76,263
Assistant Regional Superintendent fringe benefits (including State paid insurance)	<u>9,541</u>
 Total	 <u><u>\$ 180,634</u></u>

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

These amounts have been recorded in the accompanying financial statements as State revenue and expenditures.

10. Transfers

The following is a summary of transfers in and out for the year ended June 30, 2006:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 5,980	\$ -
Education Fund	7,200	7,200
Institute Fund - Teacher Certificate	76	6,025
GED	-	11
Bus Driver	<u>-</u>	<u>20</u>
Totals	<u>\$ 13,256</u>	<u>\$ 13,256</u>

11. Prior Period Adjustments

Prior period adjustments were made to correct errors in converting the old accounting system to the new. The net effect of these adjustments was to decrease the due from other governments and the fund balance in the General Fund, Education Fund, and the Institute Funds by \$30,578, \$8,819 and \$6,771, respectively.

**Required Supplementary Information
(Other than Management's Discussion and Analysis)**

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

ILLINOIS MUNICIPAL RETIREMENT FUND

JUNE 30, 2006

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Actuarial valuation date	Actuarial value of assets (a)	Actuarial 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)
12/31/2005	\$ 504,689	\$ 524,808	\$ 20,119	96.17%	\$ 160,104	12.57%
12/31/2004	494,579	470,046	(24,533)	105.22%	152,536	0.00%
12/31/2003	472,049	430,291	(41,758)	109.70%	105,432	0.00%
12/31/2002	445,952	441,715	(4,237)	100.96%	196,614	0.00%
12/30/2001	545,488	457,673	(87,815)	119.19%	227,369	0.00%
12/31/2000	495,281	397,498	(97,783)	124.60%	243,251	0.00%
12/31/1999	494,878	390,492	(104,386)	126.73%	193,076	0.00%
12/31/1998	403,043	345,799	(57,244)	116.55%	186,838	0.00%
12/31/1997	352,665	320,224	(32,441)	110.13%	186,955	0.00%
12/31/1996	308,552	279,185	(29,367)	110.52%	186,440	0.00%

On a market value basis, the actuarial value of assets as of December 31, 2005 is \$511,900.

On a market basis, the funded ratio would be 97.54%.

*** 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.

Supplementary Information

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

COMBINING SCHEDULE OF ACCOUNTS

GENERAL FUND

JUNE 30, 2006

	Operating fund	Indirect cost fund	Payroll	Operating/ Land Transfer Fund	Total
Assets:					
Cash	\$ 32,256	\$ 5,468	\$ 121	\$ 30	\$ 37,875
Total assets	<u>\$ 32,256</u>	<u>\$ 5,468</u>	<u>\$ 121</u>	<u>\$ 30</u>	<u>\$ 37,875</u>
Liabilities and fund balance:					
Liabilities:					
Due to other government agencies	\$ -	\$ 478	\$ 65	\$ -	\$ 543
Total Liabilities	<u>-</u>	<u>478</u>	<u>65</u>	<u>\$ -</u>	<u>\$ 543</u>
Fund balance, unreserved and undesignated	<u>\$ 32,256</u>	<u>\$ 4,990</u>	<u>\$ 56</u>	<u>\$ 30</u>	<u>\$ 37,332</u>
Total liabilities and fund balance	<u>\$ 32,256</u>	<u>\$ 5,468</u>	<u>\$ 121</u>	<u>\$ 30</u>	<u>\$ 37,875</u>

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

COMBINING SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES

GENERAL FUND ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2006

	Operating fund	Indirect cost fund	Payroll	Operating/ Land Transfer Fund	Total
Revenue:					
Federal sources	\$ -	\$ -	\$ -	\$ -	-
Local sources	130,876	7,000	-	-	137,876
On-behalf payments - State	180,634	-	-	-	180,634
Total revenues	311,510	7,000	-	-	318,510
Expenditures:					
Current:					
Salaries	81,049	7,239	-	-	88,288
Employee benefits	9,850	526	-	-	10,376
Purchased services	9,899	82	-	-	9,981
Supplies and materials	4,117	-	-	-	4,117
Other objects	8,105	-	-	-	8,105
Administrative:					
On-behalf payments - State	180,634	-	-	-	180,634
Total expenditures	293,654	7,847	-	-	301,501
Excess/(deficiency) of revenues over/(under) expenditures	17,856	(847)	-	-	17,009
Other financing sources/(uses):					
Transfers in	4,980	847	123	30	5,980
Transfers out	-	-	-	-	-
Interest	41	-	3	-	44
Total other financing sources/(uses)	5,021	847	126	30	6,024
Net changes in fund balances	22,877	-	126	30	23,033
Fund balances - July 1, 2005, as restated	9,379	4,990	(70)	-	14,299
Fund balances - June 30, 2006	\$ 32,256	\$ 4,990	\$ 56	\$ 30	\$ 37,332

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38BUDGETARY COMPARISON SCHEDULEGENERAL FUND ACCOUNTS - OPERATING FUNDFOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted amounts</u>		<u>Actual amounts</u>
	<u>Original</u>	<u>Final</u>	
Revenue:			
Federal sources	\$ -	\$ -	\$ -
Local sources	116,945	116,945	130,876
On behalf payments - State	-	-	180,634
Total revenues	<u>116,945</u>	<u>116,945</u>	<u>311,510</u>
Expenditures:			
Current:			
Salaries	88,288	88,288	81,049
Employee benefits	10,458	10,458	9,850
Purchased services	18,199	18,199	9,899
Supplies and materials	-	-	4,117
Other objects	-	-	8,105
Administrative:			
On-behalf payments - State	-	-	180,634
Total expenditures	<u>116,945</u>	<u>116,945</u>	<u>293,654</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>-</u>	<u>-</u>	<u>17,856</u>
Other financing sources/(uses):			
Transfers in	-	-	4,980
Transfers out	-	-	-
Interest	-	-	41
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>5,021</u>
Net changes in fund balances	<u>-</u>	<u>-</u>	<u>22,877</u>
Fund balances - July 1, 2005, as restated	<u>-</u>	<u>-</u>	<u>9,379</u>
Fund balances - June 30, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,256</u>

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

COMBINING SCHEDULE OF ACCOUNTS

EDUCATION FUND

JUNE 30, 2006

	Truants Alternative/ Optional Education	McKinney Education for Homeless Children	Total
Assets:			
Cash	\$ 1,017	\$ 114	\$ 1,131
Total assets	<u>\$ 1,017</u>	<u>\$ 114</u>	<u>\$ 1,131</u>
Liabilities and fund balance:			
Fund balance, unreserved	\$ 1,017	\$ 114	\$ 1,131
Total liabilities and fund balance	<u>\$ 1,017</u>	<u>\$ 114</u>	<u>\$ 1,131</u>

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38COMBINING SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCESEDUCATION FUND ACCOUNTSFOR THE YEAR ENDED JUNE 30, 2006

	Truants Alternative/ Optional Education	McKinney Education for Homeless Children	Total
Revenue:			
Federal sources	\$ -	\$ 12,300	\$ 12,300
State sources	77,331	-	77,331
Total revenues	77,331	12,300	89,631
Expenditures:			
Current:			
Salaries	58,200	9,837	68,037
Employee benefits	7,328	1,219	8,547
Purchased services	9,492	978	10,470
Supplies and materials	288	154	442
Other objects	261	-	261
Total expenditures	75,569	12,188	87,757
Excess/(deficiency) of revenues over/(under) expenditures	1,762	112	1,874
Other financing sources/(uses):			
Transfers in	7,200	-	7,200
Transfers out	(7,200)	-	(7,200)
Interest	15	-	15
Total other financing sources/(uses)	15	-	15
Net changes in fund balances	1,777	112	1,889
Fund balances - July 1, 2005, as restated	(760)	2	(758)
Fund balances - June 30, 2006	\$ 1,017	\$ 114	\$ 1,131

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38BUDGETARY COMPARISON SCHEDULEEDUCATION FUND ACCOUNTS - TRUANTS ALTERNATIVE/OPTIONAL EDUCATIONFOR THE YEAR ENDED JUNE 30, 2006

	Budgeted amounts		Actual amounts
	Original	Final	
Revenue:			
State sources	\$ 75,714	\$ 75,714	\$ 77,331
Total revenues	<u>75,714</u>	<u>75,714</u>	<u>77,331</u>
Expenditures:			
Current:			
Salaries	58,200	58,200	58,200
Employee benefits	7,814	7,489	7,328
Purchased services	9,500	9,825	9,492
Supplies and materials	200	200	549
Total expenditures	<u>75,714</u>	<u>75,714</u>	<u>75,569</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>-</u>	<u>-</u>	<u>1,762</u>
Other financing sources/(uses):			
Transfers in	-	-	7,200
Transfers out	-	-	(7,200)
Interest	-	-	15
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>15</u>
Net changes in fund balances	-	-	1,777
Fund balances - July 1, 2005, as restated	<u>-</u>	<u>-</u>	<u>(760)</u>
Fund balances - June 30, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,017</u>

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38BUDGETARY COMPARISON SCHEDULEEDUCATION FUND ACCOUNTS - MCKINNEY EDUCATION FOR HOMELESS CHILDRENFOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted amounts</u>		<u>Actual amounts</u>
	<u>Original</u>	<u>Final</u>	
Revenue:			
Federal Sources	\$ 12,300	\$ 12,300	\$ 12,300
Total revenues	<u>12,300</u>	<u>12,300</u>	<u>12,300</u>
Expenditures:			
Current:			
Salaries	9,820	9,820	9,837
Employee benefits	1,400	1,400	1,219
Purchased services	880	880	978
Supplies and materials	200	200	154
Total expenditures	<u>12,300</u>	<u>12,300</u>	<u>12,188</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>-</u>	<u>-</u>	<u>112</u>
Net changes in fund balances	-	-	112
Fund balances - July 1, 2005	<u>-</u>	<u>-</u>	<u>2</u>
Fund balances - June 30, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114</u>

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38COMBINING SCHEDULE OF ACCOUNTSINSTITUTE FUNDJUNE 30, 2006

	Teacher Certificate	Investment Fund	Total
Assets:			
Cash	\$ 44,156	\$ 25,933	\$ 70,089
Due from other government agencies	96	-	96
Total assets	<u>\$ 44,252</u>	<u>\$ 25,933</u>	<u>\$ 70,185</u>
Liabilities and fund balance:			
Fund balance	<u>\$ 44,252</u>	<u>\$ 25,933</u>	<u>\$ 70,185</u>
Total liabilities and fund balance	<u>\$ 44,252</u>	<u>\$ 25,933</u>	<u>\$ 70,185</u>

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38COMBINING SCHEDULE OF REVENUE EXPENDITURES,
AND CHANGES IN FUND BALANCESINSTITUTE FUND ACCOUNTSFOR THE YEAR ENDED JUNE 30, 2006

	Teacher Certificate	Investment Fund	Total
Revenue:			
Local sources	\$ 21,601	\$ -	\$ 21,601
Total revenues	<u>21,601</u>	<u>-</u>	<u>21,601</u>
Expenditures:			
Current:			
Purchased services	15,225	-	15,225
Supplies and materials	1,813	-	1,813
Other objects	120	-	120
Total expenditures	<u>17,158</u>	<u>-</u>	<u>17,158</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>4,443</u>	<u>-</u>	<u>4,443</u>
Other financing sources/(uses):			
Transfers in	76	-	76
Transfers out	(6,025)	-	(6,025)
Interest	155	441	596
Total other financing sources/(uses)	<u>(5,794)</u>	<u>441</u>	<u>(5,353)</u>
Net changes in fund balances	(1,351)	441	(910)
Fund balances - July 1, 2005, as restated	<u>45,603</u>	<u>25,492</u>	<u>71,095</u>
Fund balances - June 30, 2006	<u>\$ 44,252</u>	<u>\$ 25,933</u>	<u>\$ 70,185</u>

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38COMBINING BALANCE SHEETNONMAJOR SPECIAL REVENUE FUNDSJUNE 30, 2006

	Supervisory fund	Media materials fund	Bus driver fund	Substitute teacher fingerprinting	Asthma Education	Total
Assets:						
Cash	\$ 3,531	\$ 10,769	\$ 1,876	\$ 1,319	\$ -	\$ 17,495
Total assets	\$ 3,531	\$ 10,769	\$ 1,876	\$ 1,319	\$ -	\$ 17,495
Liabilities and fund balance:						
Fund balance, unreserved	\$ 3,531	\$ 10,769	\$ 1,876	\$ 1,319	\$ -	\$ 17,495
Total liabilities and fund balance	\$ 3,531	\$ 10,769	\$ 1,876	\$ 1,319	\$ -	\$ 17,495

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCESNONMAJOR SPECIAL REVENUE FUNDSFOR THE YEAR ENDED JUNE 30, 2006

	Supervisory fund	Media materials fund	Bus driver fund	Substitute teacher fingerprinting	Asthma Education	Total
Revenue:						
State sources	\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ 3,000
Local sources	-	-	1,532	8,226	1,510	11,268
Total revenues	3,000	-	1,532	8,226	1,510	14,268
Expenditures:						
Purchased services	1,460	-	1,586	7,126	1,510	11,682
Supplies and materials	-	226	-	-	-	226
Other objects	125	-	-	-	-	125
Total expenditures	1,585	226	1,586	7,126	1,510	12,033
Excess/(deficiency) of revenues over/(under) expenditures	1,415	(226)	(54)	1,100	-	2,235
Other financing sources/(uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(20)	-	-	(20)
Interest	16	92	-	-	-	108
Total other financing sources/(uses)	16	92	(20)	-	-	88
Net changes in fund balances	1,431	(134)	(74)	1,100	-	2,323
Fund balances - July 1, 2005	2,100	10,903	1,950	219	-	15,172
Fund balances - June 30, 2006	\$ 3,531	\$ 10,769	\$ 1,876	\$ 1,319	\$ -	\$ 17,495

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

AGENCY FUNDS

JUNE 30, 2006

	Regional Vocational Delivery System fund	Distributive fund	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash	\$ -	\$ 1,565	\$ 1,565
Total assets	<u>\$ -</u>	<u>\$ 1,565</u>	<u>\$ 1,565</u>
Liabilities:			
Due to other government agencies	\$ -	\$ 1,565	\$ 1,565
Total liabilities	<u>\$ -</u>	<u>\$ 1,565</u>	<u>\$ 1,565</u>

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIESAGENCY FUNDSFOR THE YEAR ENDED JUNE 30, 2006

	Balance 7/1/2005	Additions	Deductions	Balance 6/30/2006
Distributive fund:				
Assets:				
Cash	\$ 5,345	\$ 721,081	\$ 724,861	\$ 1,565
Total assets	\$ 5,345	\$ 721,081	\$ 724,861	\$ 1,565
Liabilities:				
Due to other government agencies	\$ 5,345	\$ 721,081	\$ 724,861	\$ 1,565
Total liabilities	\$ 5,345	\$ 721,081	\$ 724,861	\$ 1,565
Regional Vocational Delivery System fund:				
Assets:				
Cash	\$ (2,126)	\$ 2,126	\$ -	\$ -
Due from other government agencies	2,126	-	2,126	-
Total assets	\$ -	\$ 2,126	\$ 2,126	\$ -
Liabilities:				
Due to other government agencies	\$ -	\$ -	\$ -	\$ -
Total liabilities	\$ -	\$ -	\$ -	\$ -
Total all agency funds:				
Assets:				
Cash	\$ 3,219	\$ 723,207	\$ 724,861	\$ 1,565
Due from other government agencies	2,126	-	2,126	-
Total assets	\$ 5,345	\$ 723,207	\$ 726,987	\$ 1,565
Liabilities:				
Due to other government agencies	\$ 5,345	\$ 723,207	\$ 726,987	\$ 1,565
Total liabilities	\$ 5,345	\$ 723,207	\$ 726,987	\$ 1,565

LOGAN/MASON/MENARD COUNTIES - REGIONAL OFFICE OF EDUCATION NO. 38SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS
AND OTHERSDISTRIBUTIVE FUNDFOR THE YEAR ENDED JUNE 30, 2006

	Regional Superintendent of Schools	Regional Vocational Delivery System	Salt Creek Academy	Illini Central School District	Total
General State Aid	\$ -	\$ -	\$ 160,187	\$ -	\$ 160,187
Rural Education Achievement Program (REAP)	-	-	19,533	-	19,533
Perkins III Grant	-	67,120	-	-	67,120
Agriculture Education Incentive Funding Grant	-	24,498	-	-	24,498
Career and Technical Expenses	-	261,061	-	-	261,061
Truants Alternative/Optional Education	77,331	-	-	-	77,331
Regional Safe Schools and Regional Safe Schools Aid	-	-	107,739	-	107,739
State Free Lunch and Breakfast	-	-	-	64	64
Totals	\$ 77,331	\$ 352,679	\$ 287,459	\$ 64	\$ 717,533