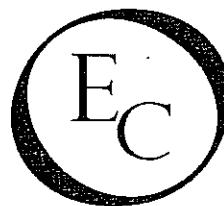


**STATE OF ILLINOIS
WILL COUNTY
REGIONAL OFFICE OF EDUCATION NO. 56**

**FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
FOR THE YEAR ENDED JUNE 30, 2006**

Performed as Special Assistant Auditors
For the Auditor General, State of Illinois



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56

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WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56

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WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56

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**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
OFFICIALS**

Regional Superintendent
(current and during the audit period)

Mr. Richard P. Duran

Assistant Regional Superintendent
(current and during the audit period)

Mr. David J. Levek

Office is located at:

302 North Chicago Street
Joliet, Illinois 60432

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
COMPLIANCE REPORT SUMMARY**

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

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

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>	<u>Prior Finding Code</u>
		FINDINGS (GOVERNMENT AUDITING STANDARDS)	
06-1	12	Controls Over Compliance with Laws and Regulations	05-1

FINDINGS AND QUESTIONED COSTS
(FEDERAL COMPLIANCE)

None

PRIOR FINDINGS NOT REPEATED
(GOVERNMENT AUDITING STANDARDS)

None

PRIOR FINDINGS NOT REPEATED
(FEDERAL COMPLIANCE)

None

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
JUNE 30, 2006**

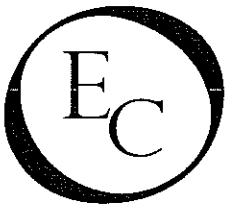
EXIT CONFERENCE

The Will County Regional Office of Education No. 56 opted not to have an exit conference during the financial audit for the year ended June 30, 2006. Responses to the recommendations were provided by Mr. Richard Duran in a letter dated January 18, 2007.

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
FINANCIAL STATEMENT REPORT SUMMARY**

The audit of the accompanying basic financial statements of the Will County Regional Office of Education No. 56 was performed by E. C. Ortiz & Co., LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Will County Regional Office of Education No. 56's basic financial statements.



INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Will County Regional Office of Education No. 56, as of and for the year ended June 30, 2006, which collectively comprise the Will County Regional Office of Education No. 56's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Will County Regional Office of Education No. 56's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Will County Regional Office of Education No. 56, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 18, 2006 on our consideration of Will County Regional Office of Education No. 56'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

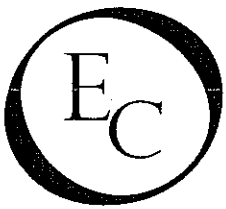
an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 19 to 24 and page 52 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 Will County Regional Office of Education No. 56'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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Will County Regional Office of Education No. 56. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Others, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

E. C. Bertiz & Co. LLP

Chicago, Illinois
October 18, 2006



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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Will County Regional Office of Education No. 56, as of and for the year ended June 30, 2006, which collectively comprise the Will County Regional Office of Education No. 56's basic financial statements and have issued our report thereon dated October 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Will County Regional Office of Education No. 56's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, caused by error or fraud, in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

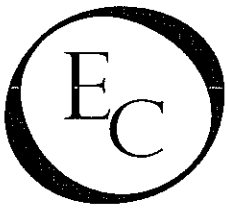
As part of obtaining reasonable assurance about whether the Will County Regional Office of Education No. 56's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant

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.

E. C. Artz & Co. LLP

Chicago, Illinois
October 18, 2006



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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of Will County Regional Office of Education No. 56 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Will County Regional Office of Education No. 56's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Will County Regional Office of Education No. 56's management. Our responsibility is to express an opinion on the Will County Regional Office of Education No. 56's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Will County Regional Office of Education No. 56's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Will County Regional Office of Education No. 56's compliance with those requirements.

In our opinion, the Will County Regional Office of Education No. 56 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Will County Regional Office of Education No. 56 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Will County Regional Office of Education No. 56's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

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

E. C. Gering & Co. LLP

Chicago, Illinois
October 18, 2006

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Part I: Summary of the Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.287C	Title IV- 21st Century Community Learning Centers
84.010A	Title I - School Improvement and Accountability

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

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

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Part II: Findings Related to the Basic Financial Statements

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

Criteria/Specific Requirements:

- A. The Illinois School Code 105 ILCS 5/3-14.11 states that the Regional Superintendent shall examine at least once each year all books, accounts, and vouchers of every school treasurer in his educational service region, and if he finds any irregularities in them, to report them at once, in writing, to the trustees in Class II county school units, to the respective school boards of those school districts which form a part of a Class II county school unit but which are not subject to the jurisdiction of the trustees of schools of any township in which any such district is located, or to the respective school boards of the district in Class I county school units whose duty it shall be to take immediately such action as the case demands. (This mandate has existed in its current form since at least 1953.)
- B. The Illinois School Code 105 ILCS 5/3-5 states that the county superintendent shall present under oath or affirmation to the county board at its meeting in September and as nearly quarterly thereafter as it may have regular or special meetings, a report of all his acts as county superintendent, including a list of all the schools visited with the dates of visitation. (This mandate has existed in its current form since at least 1953.)
- C. 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.)

Conditions:

- A. The Regional Office of Education No. 56 is not examining all books, accounts, and vouchers of every school treasurer in his educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent has been examining school district financial statements on an annual basis.

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Part II: Findings Related to the Basic Financial Statements (Continued)

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

Conditions (Continued):

- B. The Regional Office of Education No. 56 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all his acts including a list of all the schools visited and dates of visitation. The Regional Superintendent submitted to the county board its annual report. The annual report included statistics on major areas of activities of the ROE, including the inspections of school buildings within its region. Details of the dates of visits and other statistics are provided to the board upon request.
- C. The Regional Office of Education No. 56 performs compliance inspections for each public school in his region on a rotational basis every five years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.

Effect:

The Regional Office of Education No. 56 did not comply with statutory requirements.

Causes:

- A. The Regional Office of Education No. 56 management stated that the procedures currently being performed are deemed sufficient to comply with this mandate and that this mandate is outdated.
- B. According to the Regional Superintendent, presentation to the county board is done only when scheduled by the board. The ROE submits the annual report to the county every year. The annual report is believed to have all the pertinent information about the ROE's operations, and details of any visits and dates of visitation are available upon request.
- C. The Regional Superintendent stated that the periodic compliance visits on a cycle basis completed at the public schools were sufficient to satisfy the statutory requirement. In addition, due to the magnitude of the task and the limited budget, the visit could not be performed for each public school in the district on an annual basis.

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Part II: Findings Related to the Basic Financial Statements (Continued)

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

Recommendations:

- A. The Regional Office of Education No. 56 should comply with the requirements of 105 ILCS 5/3-14.11.
- B. The Regional Superintendent should attend the county board meeting in September and quarterly thereafter as it may have regular or special meetings, and present a report of all his acts as county superintendent, including a list of all the schools visited with the dates of visitation as required by 105 ILCS 5/3-5.
- C. The Regional Superintendent should visit each public school annually to review all items required by 105 ILCS 5/3-14.5.

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

Management's Responses:

- A. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 5/3-7 of the Illinois School Code is a more current, thorough, and comprehensive requirement concerning a public school district's financial transactions. As a result, the two parties working together will seek legislation to repeal section 5/3-14.11 of the Illinois School Code.
- B. The Regional Superintendent is seeking an agreement from the county board to accept sworn written reports in September, December, March, and June as fulfillment of the requirement of 105 ILCS 5/3-5.
- C. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 1.20 of the 23rd Illinois Administrative Code is a more current, thorough, and comprehensive requirement concerning visitation of public schools by the Regional Superintendent. As a result, the two parties working together will seek legislation to repeal section 5/3-14.5 of the Illinois School Code.

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Part III: Federal Award Findings

INSTANCES OF NONCOMPLIANCE:

None

REPORTABLE CONDITIONS:

None

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
JUNE 30, 2006**

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

Conditions:

- A. The Regional Office of Education No. 56 is not examining all books, accounts, and vouchers of every school treasurer in his educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent has been examining school district financial statements on an annual basis.
- B. The Regional Office of Education No. 56 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all his acts including a list of all the schools visited and dates of visitation. The Regional Superintendent submitted to the county board its annual report. The annual report included statistics on major areas of activities of the ROE, including the inspections of school buildings within its region. Details of the dates of visits and other statistics are provided to the board upon request.
- C. The Regional Office of Education No. 56 performs compliance inspections for each public school in his region on a rotational basis every five years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.

Plans:

- A. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education will seek legislation to repeal section 5/3-14.11 of the Illinois School Code.
- B. The Regional Superintendent is seeking an agreement from the county board to accept sworn written reports in September, December, March, and June as fulfillment of the requirement of 105 ILCS 5/3-5.
- C. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education will seek legislation to repeal section 5/3-14.5 of the Illinois School Code.

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
JUNE 30, 2006**

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

Anticipated Dates of Completion:

- A. Current session of the General Assembly (November 30, 2007)
- B. March 31, 2007
- C. Current session of the General Assembly (November 30, 2007)

Name of Contact Person:

Richard Duran, Regional Superintendent

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
05-1	Controls Over Compliance with Laws and Regulations	Repeated

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

The Will County Regional Office of Education No. 56 (ROE No. 56) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2006 with comparative information for the year ended June 30, 2005. Readers are encouraged to consider the information in conjunction with the ROE No. 56's financial statements that follow.

2006 Financial Highlights

- Within the Governmental Funds, the General Fund revenues decreased by \$15,970 (3%) from \$511,371 in FY 2005 to \$495,401 in FY 2006. General Fund expenditures decreased by \$14,216 (3%) from \$509,174 in FY 2005 to \$494,958 in FY 2006.
- Within the Governmental Funds, the Special Revenue Fund revenues increased by \$1,010,204 (15%) from \$6,795,627 in FY 2005 to \$7,805,831 in FY 2006. The Special Revenue Fund expenditures increased by \$1,134,909 (17%) from \$6,618,421 in FY 2005 to \$7,753,330 in FY 2006.
- The Enterprise Fund revenues increased by \$223,191 (16%) from \$1,407,958 in FY 2005 to \$1,631,149 in FY 2006. The Enterprise Fund expenditures increased by \$502,612 (48%) from \$1,043,040 in FY 2005 to \$1,545,652 in FY 2006.

Using This Report

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

- *Management's Discussion and Analysis* introduces financial statements and provides an analytical overview of the ROE No. 56'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 ROE No. 56 as a whole and present an overall view of the Office's finances.
- *Fund financial statements* report the ROE No. 56's operations in more detail than the government-wide statements by providing information about the most significant funds.
- *Notes to the financial statements* provide additional information that is needed for a full understanding of the data provided in the basic financial statements.
- *Required supplementary information* further explains and supports the financial statements and supplementary information provides detailed information about the non-major funds.

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

Reporting the Will County Regional Office as a Whole

It is important to note, that many grants are a cooperative effort of the ROE No. 56 and the Grundy/Kendall Regional Office of Education No. 24. Therefore, these figures may reflect grants that are intended to serve Will County only and grants that serve Will, Grundy, and Kendall Counties.

The Statement of Net Assets and the Statement of Activities

Government-wide Financial Statements

The Government-wide statements report information about the ROE No. 56 as a whole. The Statement of Net Assets includes all of the assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid using Generally Accepted Accounting Principles and GASB 34.

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

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

Fund Financial Statements

The fund financial statements provide detailed information about the ROE No. 56's funds. Funds are accounting devices that allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by state law. The ROE No. 56 established other funds to control and manage money for particular purposes.

The Office has three kinds of funds:

- (1) Governmental funds account for those funds through which most governmental functions of the Office are financed. 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 the year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Office's programs. The governmental

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

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

- (2) Proprietary funds account for resources from fees charged directly to those entities or individuals that use its services. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by government-wide financial statements. The proprietary funds required financial statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.
- (3) Fiduciary funds are used to account for assets held by the ROE No. 56 in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds required financial statements include a Statement of Fiduciary Net Assets.

Government-Wide Financial Analysis

As noted earlier, net assets may serve when examined over time as one indicator of the financial position of the ROE No. 56. The net assets at the end of FY 2006 and FY 2005 totaled \$1,674,294 and \$1,546,302, respectively. The analysis that follows provides a summary of the ROE No. 56's net assets as of June 30.

CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
ASSETS						
Current assets	\$ 1,550,710	\$ 1,340,190	\$ 1,191,856	\$ 1,089,962	\$ 2,742,566	\$2,430,152
Capital assets, net of depreciation	19,314	29,763	3,904	7,807	23,218	37,570
TOTAL ASSETS	1,570,024	1,369,953	1,195,760	1,097,769	2,765,784	2,467,722
Current liabilities	1,027,936	870,360	63,554	51,060	1,091,490	921,420
TOTAL LIABILITIES	1,027,936	870,360	63,554	51,060	1,091,490	921,420
NET ASSETS						
Invested in capital assets, net of related debt	19,314	29,763	3,904	7,807	23,218	37,570
Restricted	260,710	155,010	-	-	260,710	155,010
Unrestricted	262,064	314,820	1,128,302	1,038,902	1,390,366	1,353,722
TOTAL NET ASSETS	\$ 542,088	\$ 499,593	\$ 1,132,206	\$ 1,046,709	\$ 1,674,294	\$ 1,546,302

The ROE No. 56's net assets increased by \$127,992 (8%) from FY 2005. The increase occurred in the Local Professional Development Alliance (PDA) Funds and Institute Funds

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

due to excess of revenues over expenses for certification and workshops conducted by the ROE. In addition, net assets related to the Teacher Institute Fund are considered restricted for teacher professional development.

CHANGES IN NET ASSETS

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 59,816	\$ 64,263	\$ 1,570,391	\$ 1,380,982	\$ 1,630,207	\$ 1,445,245
Operating grants and contributions	7,883,148	6,894,475	-	-	7,883,148	6,894,475
General revenues:						
Local sources and miscellaneous	110,527	105,762	-	-	110,527	105,762
Interest income	24,456	9,279	60,758	26,976	85,214	36,255
On-behalf payments	223,285	233,219	-	-	223,285	233,219
Total revenues	8,301,232	7,306,998	1,631,149	1,407,958	9,932,381	8,714,956
Expenses:						
Salaries	1,266,108	1,237,625	379,938	147,726	1,646,046	1,385,351
Benefits	264,260	265,191	91,208	41,895	355,468	307,086
Purchased services	1,506,630	1,511,452	909,640	725,401	2,416,270	2,236,853
Supplies and materials	170,131	282,501	131,920	103,069	302,051	385,570
Capital outlay	8,329	388,872	10,159	11,538	18,488	400,410
Depreciation	10,449	20,449	3,903	3,903	14,352	24,352
Payments to other governmental units	4,800,169	3,149,763	-	-	4,800,169	3,149,763
Miscellaneous	9,376	58,972	18,884	9,508	28,260	68,480
On-behalf payments	223,285	233,219	-	-	223,285	233,219
Total expenses	8,258,737	7,148,044	1,545,652	1,043,040	9,804,389	8,191,084
Income before operating transfers	42,495	158,954	85,497	364,918	127,992	523,872
Operating transfers	-	(137,528)	-	137,528	-	-
Change in net assets	42,495	21,426	85,497	502,446	127,992	523,872
Net assets, beginning	499,593	478,167	1,046,709	544,263	1,546,302	1,022,430
Net assets, ending	\$ 542,088	\$ 499,593	\$ 1,132,206	\$ 1,046,709	\$ 1,674,294	\$ 1,546,302

Governmental Activities

Revenues for governmental activities were \$8,301,232 and expenses were \$8,258,737. Some grants increased while others decreased or were not funded in FY 2006. The General State Aid increased by \$597,410 due to the increase in the state funding level per student. Title II - Teacher Quality Leadership Grant increased by \$72,307 due to the increase in the number of students in the program. Title I - School Improvement and Accountability increased by

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

\$1,215,979 due to having more schools on the academic watch list and the need to provide services to these schools. Technology Enhancing Education Competitive grant has been severely cut in funding, thus revenues decreased by \$760,342. Expenses were proportionally increased or decreased to meet the funding level.

Business-Type Activities

Revenues for business-type activities were \$1,631,149 and expenditures were \$1,545,652. The increase in revenues and expenditures is attributed to the increase in workshops for the Masters and Doctoral programs as well as the increase in background investigations conducted in FY 2006.

Financial Analysis of the ROE No. 56 Funds

As previously noted, the ROE No. 56 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency's Governmental Funds reported combined fund balances were \$522,774.

Governmental Fund Highlights

- State funding of Regional Offices of Education was held to 47% of the FY 2003 level for the third straight year.
- The dollar return on investments (certificate of deposit, short-term investments and interest earned on a float), remained minimal because of continuing low interest rates.
- County support for the ROE No. 56 remained at the same funding level.
- The Regional Safe Schools Program was able to maintain services due to an increase in the foundation level of General State Aid.

Proprietary Fund Highlights

Total proprietary fund net assets increased by \$85,497 (8%). The increase in the proprietary fund revenues and expenses is due mainly to increases in workshops and criminal background investigations.

Budgetary Highlights

The ROE No. 56 annually adopts budgets for several funds. The Professional Development Alliance (PDA) Budget is prepared by the Executive Director of the PDA and approved by a joint Governing Board representing Will, Grundy, & Kendall Counties. The Regional Safe Schools Budget is approved by a similar board. The Education-To-Careers Executive Board approves the budgets for the ETC Partnership and the 21st Century Grant. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the County

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

Board for their approval. The Office Operations Budget covers a fiscal year which runs from December 1 to November 30. All grant budgets are prepared by the Regional Office of Education No. 56 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency.

Capital Assets

ROE No. 56's capital assets include office equipment, computers, audio-visual equipment, and building improvements. The ROE No. 56 maintains an inventory of capital assets which have been accumulated over time. There were no items purchased or retired in 2006 that exceeded the threshold of \$5,000. Depreciation expense for FY 2006 was \$14,352.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the ROE No 56'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 Schools, Will County Regional Office of Education No. 56, 302 North Chicago Street, Joliet, IL 60432.

BASIC FINANCIAL STATEMENTS

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
STATEMENT OF NET ASSETS
JUNE 30, 2006

EXHIBIT A

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 1,506,782	\$ 1,143,058	\$ 2,649,840
Accounts receivable	-	27,067	27,067
Due from other government agencies	43,928	-	43,928
Due from other funds	-	21,731	21,731
Total current assets	<u>1,550,710</u>	<u>1,191,856</u>	<u>2,742,566</u>
Noncurrent assets:			
Capital assets, net	19,314	3,904	23,218
TOTAL ASSETS	<u>1,570,024</u>	<u>1,195,760</u>	<u>2,765,784</u>
LIABILITIES			
Accounts payable	698,699	63,554	762,253
Deferred revenues	307,506	-	307,506
Due to other funds	21,731	-	21,731
TOTAL LIABILITIES	<u>1,027,936</u>	<u>63,554</u>	<u>1,091,490</u>
NET ASSETS			
Invested in capital assets, net of related debt	19,314	3,904	23,218
Restricted	260,710	-	260,710
Unrestricted	262,064	1,128,302	1,390,366
TOTAL NET ASSETS	<u>\$ 542,088</u>	<u>\$ 1,132,206</u>	<u>\$ 1,674,294</u>

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

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2006

EXHIBIT B

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contribution	Primary Government		
				Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS						
Primary government						
Governmental activities:						
Instructional services:						
Salaries	\$ 1,266,108	\$ -	\$ 1,250,811	\$ (15,297)	\$ -	\$ (15,297)
Benefits	264,260	-	261,548	(2,712)	-	(2,712)
Purchased services	1,506,630	46,351	1,447,749	(12,530)	-	(12,530)
Supplies and materials	170,131	10,561	158,284	(1,286)	-	(1,286)
Capital expenditures	8,329	-	8,281	(48)	-	(48)
Miscellaneous	9,376	2,904	5,913	(559)	-	(559)
Payments to other governmental units	4,800,169	-	4,750,562	(49,607)	-	(49,607)
Depreciation	10,449	-	-	(10,449)	-	(10,449)
Administrative:						
On-behalf payments	223,285	-	-	(223,285)	-	(223,285)
Total governmental activities	8,258,737	59,816	7,883,148	(315,773)	-	(315,773)
Business-type activities:						
Professional development	1,545,652	1,570,391	-	-	24,739	24,739
Total business-type activities	1,545,652	1,570,391	-	-	24,739	24,739
Total primary government	\$ 9,804,389	\$ 1,630,207	\$ 7,883,148	(315,773)	24,739	(291,034)
General revenues:						
Local sources				104,217	-	104,217
Interest income				24,456	60,758	85,214
On-behalf payments				223,285	-	223,285
Miscellaneous				6,310	-	6,310
Total general revenues				358,268	60,758	419,026
Change in net assets				42,495	85,497	127,992
Net assets - beginning				499,593	1,046,709	1,546,302
Net assets - ending				\$ 542,088	\$ 1,132,206	\$ 1,674,294

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

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 JUNE 30, 2006

EXHIBIT C

	General	Education Fund	Institute Fund	Professional Development Alliance	Nonmajor Special Revenue Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 7,525	\$ 656,146	\$ 260,710	\$ 529,553	\$ 52,848	\$ 1,506,782
Due from other governmental agencies	-	-	-	43,928	-	43,928
TOTAL ASSETS	<u>7,525</u>	<u>656,146</u>	<u>260,710</u>	<u>573,481</u>	<u>52,848</u>	<u>1,550,710</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	-	354,842	-	343,857	-	698,699
Due to other funds	-	19,506	-	2,225	-	21,731
Deferred revenues	-	80,107	-	227,399	-	307,506
Total liabilities	-	454,455	-	573,481	-	1,027,936
FUND BALANCES						
Restricted	-	-	260,710	-	-	260,710
Unrestricted	7,525	201,691	-	-	52,848	262,064
Total fund balances	<u>7,525</u>	<u>201,691</u>	<u>260,710</u>	<u>-</u>	<u>52,848</u>	<u>522,774</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,525</u>	<u>\$ 656,146</u>	<u>\$ 260,710</u>	<u>\$ 573,481</u>	<u>\$ 52,848</u>	<u>\$ 1,550,710</u>

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

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

EXHIBIT D

Total fund balances - governmental funds	\$	522,774
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		<u>19,314</u>
Net assets of governmental activities	\$	<u>542,088</u>

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

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
GOVERNMENTAL FUNDS

EXHIBIT E

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

	General	Education Fund	Institute Fund	Professional Development Alliance	Nonmajor Special Revenue Funds	Total Governmental Funds
REVENUES						
Federal sources	\$ -	\$ 1,736,071	\$ -	\$ 3,183,295	\$ -	\$ 4,919,366
State sources	251,734	2,405,778	-	286,231	2,440	2,946,183
Local sources	-	-	104,217	-	-	104,217
Registration fees	20,039	-	-	-	57,376	77,415
Fees for services	343	13,719	8,675	-	1,719	24,456
Interest income	-	-	6,310	-	-	6,310
Miscellaneous	223,285	-	-	-	-	223,285
On-behalf payments	495,401	4,155,568	119,202	3,469,526	61,535	8,301,232
Total revenues						
	130,639	820,929	-	314,540	-	1,266,108
	45,800	122,925	-	95,535	-	264,260
	87,711	690,201	2,794	682,343	43,581	1,506,630
	1,533	101,540	260	56,868	9,930	170,131
	-	2,961	-	5,368	-	8,329
	5,990	20	636	-	2,730	9,376
	-	2,475,485	9,812	2,314,872	-	4,800,169
	223,285	-	-	-	-	223,285
	494,958	4,214,061	13,502	3,469,526	56,241	8,248,288
EXPENSES (DEFICIENCY) OF REVENUES OVER EXPENDITURES	443	(58,493)	105,700	-	5,294	52,944
FUND BALANCES, BEGINNING OF YEAR	7,082	260,184	155,010	-	47,554	469,830
FUND BALANCES, END OF YEAR	\$ 7,525	\$ 201,691	\$ 260,710	\$ -	\$ 52,848	\$ 522,774

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

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
GOVERNMENTAL FUNDS

EXHIBIT F

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balances	\$	52,944
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		<u>(10,449)</u>
Change in net assets of governmental activities	\$	<u>42,495</u>

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

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2006

EXHIBIT G

	Business Type Activities - Enterprise Funds		Total
	Local PDA Funds	Criminal Background Investigation	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,118,328	\$ 24,730	\$ 1,143,058
Accounts receivable	27,067	-	27,067
Due from other funds	21,731	-	21,731
Total current assets	<u>1,167,126</u>	<u>24,730</u>	<u>1,191,856</u>
Noncurrent assets:			
Capital assets, net	-	3,904	3,904
TOTAL ASSETS	<u>1,167,126</u>	<u>28,634</u>	<u>1,195,760</u>
LIABILITIES			
Accounts payable	<u>63,554</u>	-	<u>63,554</u>
NET ASSETS			
Invested in capital assets	-	3,904	3,904
Unrestricted	<u>1,103,572</u>	<u>24,730</u>	<u>1,128,302</u>
TOTAL NET ASSETS	<u>\$ 1,103,572</u>	<u>\$ 28,634</u>	<u>\$ 1,132,206</u>

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

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROPRIETARY FUNDS

EXHIBIT H

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2006

	Business Type Activities - Enterprise Funds		Total
	Local PDA Funds	Criminal Background Investigation	
OPERATING REVENUES			
Local sources	\$ 1,488,409	\$ 81,982	\$ 1,570,391
OPERATING EXPENSES			
Salaries	379,938	-	379,938
Benefits	91,208	-	91,208
Purchased services	830,189	79,451	909,640
Supplies and materials	131,920	-	131,920
Miscellaneous	18,733	151	18,884
Capital outlay	10,159	-	10,159
Depreciation	-	3,903	3,903
Total operating expenses	1,462,147	83,505	1,545,652
OPERATING INCOME (LOSS)	26,262	(1,523)	24,739
NONOPERATING REVENUES			
Interest income	59,995	763	60,758
CHANGE IN NET ASSETS	86,257	(760)	85,497
TOTAL NET ASSETS, BEGINNING OF YEAR	1,017,315	29,394	1,046,709
TOTAL NET ASSETS, END OF YEAR	\$ 1,103,572	\$ 28,634	\$ 1,132,206

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

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2006**

EXHIBIT I

	Business Type Activities - Enterprise Funds		
	Local PDA Funds	Criminal Background Investigation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts for workshops/services	\$ 1,475,663	\$ 81,982	\$ 1,557,645
Payment to suppliers and providers of goods and services	(968,348)	(79,602)	(1,047,950)
Payment to employees	(471,146)	-	(471,146)
Net cash provided by operating activities	<u>36,169</u>	<u>2,380</u>	<u>38,549</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITY:			
Purchase of equipment	(10,159)	-	(10,159)
Net cash used in capital financing activity	<u>(10,159)</u>	<u>-</u>	<u>(10,159)</u>
CASH FLOWS FROM INVESTING ACTIVITY:			
Interest	59,995	763	60,758
Net cash provided by investing activity	<u>59,995</u>	<u>763</u>	<u>60,758</u>
NET INCREASE IN CASH	86,005	3,143	89,148
CASH, BEGINNING OF YEAR	<u>1,032,323</u>	<u>21,587</u>	<u>1,053,910</u>
CASH, END OF YEAR	<u>\$ 1,118,328</u>	<u>\$ 24,730</u>	<u>\$ 1,143,058</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 26,262	\$ (1,523)	24,739
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	-	3,903	3,903
Effects of changes in assets and liabilities:			
Accounts receivable	8,985	-	8,985
Due from other funds	(21,731)	-	(21,731)
Accounts payable	22,653	-	22,653
Net cash provided by operating activities	<u>\$ 36,169</u>	<u>\$ 2,380</u>	<u>\$ 38,549</u>

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

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006**

EXHIBIT J

ASSETS

Cash	<u>\$ 11,353</u>
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LIABILITIES

Distributives payable	<u>\$ 11,353</u>
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The notes to the financial statements are an integral part of this statement.

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Will County Regional Office of Education No. 56 was created by Illinois Public Act 76-735, as amended effective August 8, 1995, to develop and maintain educational service for the school districts in Will County. Will County Regional Office of Education No. 56 services 126 public schools and 46 private schools in the 29 districts within the County.

The following are the functions of Will County Regional Office of Education No. 56:

- Processing teachers' certificates
- Teaching initial and refresher classes for bus drivers
- Review life/safety requirements for schools in conjunction with the State of Illinois
- Disbursing state and federal aid to individual school districts

The regional superintendent of schools is the chief administrative officer of the region and is elected to the position for a four year term. The regional superintendent is responsible for the supervision and control of the school districts. The superintendent's responsibilities for administering the school educational service region programs include, but are not limited to, providing directions to teachers and school officials on science, art and teaching methods; implementing the State Board of Education's Policy Programs; encouraging camaraderie among teachers' institute; making public notice of unfilled teaching positions within the region; and ensuring of the safety, health and welfare of the students in the region by periodically inspecting the school buildings and ensuring that the bus drivers have valid driving licenses and are properly trained to operate the school buses.

The financial statements of the Will County Regional Office of Education No. 56 have been prepared in conformity with the Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The following is a summary of the significant accounting policies:

B. Criteria Used to Determine the Scope of Entity

The reporting entity includes the governing board and all related organizations for which Will County Regional Office of Education No. 56 exercises oversight responsibility.

The criteria to determine whether outside agencies with activities which benefit the residents should be included within its financial reporting entity includes, but is not limited to, whether Will County Regional Office of Education No. 56 exercises oversight

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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.

Will County Regional Office of Education No. 56 has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the financial statements. In addition, Will County Regional Office of Education No. 56 is not aware of any entity which would exercise such oversight which would result in it being considered a component unit of the entity.

C. New Accounting Pronouncements

Effective July 1, 2005, the Will County Regional Office of Education No. 56 adopted the following accounting pronouncements:

- GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which establishes standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.
- GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section, an amendment of NCGA Statement 1*, which amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section.
- 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.
- GASB Statement No. 47, *Accounting for Termination Benefits*, which establishes accounting and financial reporting standards for termination benefits.

There was no significant impact on the Will County Regional Office of Education No. 56's financial statements as a result of adopting the above statements.

D. Government-Wide and Fund Financial Statements

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

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
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that are governmental in nature and those that are considered business-type activities. *Governmental activities* normally are supported by operating grants and contributions, charges for services and intergovernmental revenues. *Business-type activities* normally are supported by amounts assessed or received from local sources for the ROE programs.

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

E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of Will County Regional Office of Education No. 56 are prepared in accordance with generally accepted accounting principles (GAAP). The Will County Regional Office of Education No. 56 applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. 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 revenues are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund and fiduciary financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Will County Regional Office of Education No. 56 considers revenues as available if they are collected within 60 days after year-end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

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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; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

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

When both restricted and unrestricted resources are available for use, it is the ROE's policy to use restricted resources first, then unrestricted resources as they are needed.

Will County Regional Office of Education No. 56 records on-behalf payments made by the State to the Teachers' Retirement System as revenues and expenditures.

F. Fund Accounting

The accounts of the Will County Regional Office of Education No. 56 are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. The Will County Regional Office of Education No. 56 maintains individual funds as required by the State of Illinois. The resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following summarizes the fund types used:

Government Fund Types

Governmental Funds are those through which most governmental functions are financed. The acquisition, use and balances of the expendable financial resources and the related current liabilities are accounted for through governmental funds. The governmental funds include the following:

The General Fund is the general operating fund. The General Fund accounts for all financial resources except those required to be accounted for in another fund.

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ROE/ISC Operations - Accounts for grant monies received for, and payment of, expenditures of the ISC Operation Fund.

General Operations - Accounts for monies received for, and payment of, expenditures in connection with general administrative activities.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than those accounted for in the Fiduciary Funds) that are legally restricted to expenditures for specified purposes. The special revenue funds include the following:

Education - Accounts for grant funds which are restricted as to their use except for those accounted for in the Lambert and Professional Development Alliance Funds. Education funds include:

FY 2005/2004 Education to Careers - Accounts for the administration of monies to be used for Education to Careers Fund received from the Illinois State Board of Education.

Regional Safe Schools Program - Accounts for the administration of monies to be used for the Regional Safe Schools Program Fund received from the Illinois State Board of Education.

General State Aid - Accounts for grant monies received for, and payment of, expenditures for regional learning academy supplements.

Title V - Innovative Programs - Formula - Accounts for funds received for, and payment of, expenditures of Title V - Innovative Programs. The purpose of these programs is to provide a continuing source of innovation and educational improvement.

Title IV - Safe & Drug Free Schools - Formula - Accounts for federal monies received for, and payment of, expenditures incurred for instructional program/materials in preventing the illegal use of alcohol, tobacco and drugs.

McKinney Education for Homeless Children - Accounts for grant monies received for and payment of, expenditures associated with a Federal program designed to provide counseling and educational support to homeless children and their families. The programs are funded by a Federal Stewart B. McKinney Education for Homeless Children and Youth Grant administered through the Illinois State Board of Education.

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Title IV - Community Service - Accounts for monies received for, and payment of, expenditures for Safe and Drug Free Schools and Communities Programs. These programs enhance the Nation's efforts to prevent illegal use of drugs and violence among, and promote safety and discipline for, students at all levels in the community.

Title IV - 21st Century Community Learning Centers - Accounts for monies received for, and payment of, expenditures of the 21st Century Learning Centers Grant. The purpose of this grant is to create community learning centers that provide academic enrichment opportunities for children, particularly students who attend high-poverty and low performing schools.

Institute - Accounts for registration and renewal fees related to teachers' certificates. Funds collected from registration and renewal fees are expended to defray costs incidental to teachers' institutes, conferences, and workshops. All funds generated remain restricted until expended only on the aforementioned activities.

Professional Development Alliance (PDA) - Accounts for state, and federal funded programs designed to meet the identified needs of the school districts within Will, Grundy and Kendall counties. These services are designed to improve the educational opportunities provided to students within these counties. Professional Development Alliance Funds include:

Learning Technology Center - Accounts for monies from State of Illinois for expenditures incurred to create and support ongoing learning teams focused on alignment of classroom level assessment and instruction.

Standards Aligned Classroom - Area I and Fair 22 - Accounts for grant monies received for, and payment of, expenditures incurred in the improvement of teaching and learning.

FY 2006/2005 Title I - Reading First Part B SEA Funds - 02/04 - Funds provide assistance to school districts in establishing reading programs for students in kindergarten through third grade that are based on scientifically based reading research. Reading First also focuses on teacher development and ensuring that all teachers, including special education teachers, have the tools they need to effectively help their students learn to read.

FY 2006/2005 Reading First Services - 01/04 - Accounts for grant monies received for, and payment of, expenditures of the Reading First Grants. These are federal grants from the Department of Education passed through the Lake County Regional Office of Education No. 34.

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FY 2006/2005 Technology Enhancing Education - Competitive - Accounts for revenues and expenditures used to train online Atlas Rubicon Curriculum Mapping, online testing of students using Northwest Evaluation Association, and professional development for teachers.

FY 2006/2005 Title I - School Improvement and Accountability - Accounts for grant monies received for, and payment of, expenditures of the Title I - School Improvement and Accountability Fund. This grant provides school districts with funds to carry out their school improvement and corrective action responsibilities under Section 1116(c) of Title I while offering students in schools identified for improvement and corrective action the opportunity to transfer to another higher performing public school, including a public charter school within the district.

FY 2006/2005 Title II - Teacher Quality Leadership Grant - Accounts for grant monies received for, and payment of, expenditures of the Title II - Teacher Quality Leadership Grant.

Other State Programs (Support Services) - Accounts for grant monies received, and payment of, expenditures incurred for various support service programs funded by the state.

Nonmajor Special Revenue Funds - All other special revenue funds not classified under Education Fund or Professional Development Alliance are grouped under this fund for financial statement presentation.

General Education Development (GED) - Accounts for the administration of the GED Testing Program. Revenues consist of fees collected for testing, diplomas and materials.

School Bus Driver Training - Accounts for bus drivers' permit fees which may be expended for bus drivers' refresher courses.

Supervisory - Accounts for State funding used to pay expenses for supervision of school districts in the jurisdiction.

Lambert - Accounts for donations which are restricted to be used for support, health, welfare and education of worthy poor children residing in Will County.

Proprietary Funds - to account for resources from fees charged directly to those entities or individuals that use its services.

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Local Professional Development Alliance (PDA) Funds - Accounts for the revenues and expenditures associated with state aid money and workshops put on by the Will County Regional Office of Education No. 56.

Criminal Background Investigation - Accounts for the assessments received from the school districts to pay for the processing of fingerprinting the substitute teachers and expenditures incurred providing this service to the school districts.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds.

The Agency Fund consists of the following:

Distributive - accounts for funds received and disbursed as a result of the Superintendent's responsibility to receive and distribute to treasurers of school districts and other agencies, monies due them from general state aid, state categorical grants, and various other sources. Interest earned on Distributive Fund assets is used to fund existing programs.

Forest Conservation - accounts for funds received from Will County and disbursed to school districts in relation to the Forest Conservation project.

G. Interest Revenue

Illinois State Board of Education (ISBE) funds received by the ROE for the Distributive Fund accrue interest for the period of time between the receipt of the funds and clearance of checks to the recipient. In accordance with an agreement dated May 24, 1988 with the school district boards served, interest earned on Distributive Fund deposits is transferred to the General Fund to offset wire service and other bank charges incurred by the Distributive Fund.

Distributive Fund interest earned and related charges are recognized as revenues and expenditures in the general fund.

H. License and Permits

License and permit revenues are recognized in the year for which the licenses or permits are issued. Teacher certification revenues are recognized over a five year period when applicable.

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I. Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

Non-exchange transactions, in which the ROE receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the ROE must provide local resources to be used for specific purpose, and expenditure requirements, in which the resources are provided to the ROE on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

J. Capital Assets

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

Capital assets are recorded at cost at time of acquisition or fair value at the date of donation. The ROE capitalizes items costing \$5,000 or more. Depreciation is calculated on a straight-line basis over the estimated useful lives (three to five years) of the respective assets.

K. Deferred Revenues

The ROE reports unearned deferred revenue in the governmental fund Balance Sheet. Deferred and unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period.

L. Net Assets

Net assets present the difference between assets and liabilities in the Statement of Net Assets. Net assets of the ROE are classified as follows:

Invested in Capital Assets - represents the ROE's total investment in capital assets. There is no outstanding debt related to these assets at this time.

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
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Restricted Net Assets - represent resources in which the ROE is legally obligated to spend in accordance with restrictions imposed by enabling legislation.

Unrestricted Net Assets - represent resources used for transactions relating to the general operations of the ROE and may be used at the discretion of management to meet expenses for any purpose.

M. Management Estimates

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

N. Investments and Cash Accounts

State regulations require that the Will County Regional Office of Education No. 56 deposit funds under its control into accounts insured by the federal government, secured by substantial collateral or into pooled investment trusts. All funds not needed for immediate disbursements are maintained in interest bearing accounts. Statutes authorize the Will County Regional Office of Education No. 56 to make deposits or invest in obligation of states and their political subdivisions, savings accounts, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Public Treasurer's Investment Pool.

O. Revenue from Federal and State Grants

Revenues from federal and State grant awards are recorded net of the amount due to the State for the unused portion of the grant or the amount carried over to the following fiscal year project. Amounts due to the State or carried over to the following year project are recorded as liabilities.

P. Budgetary Data

Will County Regional Office of Education No. 56 did not formally adopt a budget for the year ended June 30, 2006 and is not legally required to do so. The Illinois State Board of Education requires budgets for certain State and Federal programs. These budgets were used to prepare Budgetary Comparison Schedules for the following programs:

General Fund:

- ROE/ISC Operations

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
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Special Revenue Funds:

- Education Fund:
 - Regional Safe Schools Program
 - Title V - Innovative Programs Formula
 - Title IV - Safe and Drug Free Schools Formula
 - Title IV - 21st Century Community Learning Centers

- Professional Development Alliance Fund:
 - Learning Technology Center
 - Title I - Reading First Part B SEA Funds - 04
 - FY 2006 Title I - Reading First Part B SEA Funds - 02
 - FY 2006 Technology Enhancing Education - Competitive
 - FY 2006 Title I - School Improvement & Accountability
 - FY 2006 Title II - Teacher Quality Leadership Grant
 - Other State Programs (Support Services)

NOTE 2 - CASH AND INVESTMENTS

The Will County Regional Office of Education No. 56 utilizes several different bank accounts for its various activities. The book balance of such accounts is \$2,661,193 at June 30, 2006, while the bank balance was \$2,870,043. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2006.

Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, the ROE's deposits may not be recovered. The ROE does not have a formal investment policy that addresses custodial credit risk. Originally, GASB Statement No. 3 discussed three categories of custodial credit risk as follows:

Category 1 includes deposits covered by depository insurance or collateral held by Will County Regional Office of Education No. 56 in its name.

Category 2 includes deposits covered by collateral held by the financial institutions in a pledged safekeeping account in the name of Will County Regional Office of Education No. 56.

Category 3 includes deposits which are uncollateralized or the collateral is held by the financial institution trust department but not in the name of Will County Regional Office of Education No. 56.

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The ROE's deposits are covered by the Federal Deposit Insurance Corporation (FDIC) and by collateral held by the financial institution in the ROE's name. Although deposit balances classified under the traditional risk categories of 1 and 2 have been determined under GASB Statement No. 40 to be exposed to only minimal risk, and, based on this conclusion, the GASB chose to limit disclosure of custodial credit risk to deposits that meet the definition of "Category 3", the ROE has decided to include categories 1 and 2 in the discussion. The following table reflects the ROE's level of risk as of June 30, 2006:

	Bank Balance
Category 1	\$ 152,108
Category 2	2,027,217
Category 3	-
Exempt	690,718
Total	\$ 2,870,043

The exempt funds are those deposited into the Illinois Funds.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The ROE's policy for reducing its exposure to the risk is to structure the ROE's portfolio so that securities mature to meet the ROE's cash requirements for ongoing operations. The ROE's investments as of June 30, 2006 are limited to the investment in the State investment pool (Illinois Funds).

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ROE's policy for managing its exposure to the risk is to limit investments to those allowable by the Illinois Public Funds Investment Act. As of June 30, 2006, the ROE's investment in the State investment pool (Illinois Funds) was rated AAAM by Standard & Poor's.

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2006 is as follows:

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006
GOVERNMENTAL FUNDS				
Equipment	\$ 60,976	\$ -	\$ -	\$ 60,976
Building improvement	83,239	-	-	83,239
	144,215	-	-	144,215
Less: accumulated depreciation	(114,452)	(10,449)	-	(124,901)
Capital assets, net	\$ 29,763	\$ (10,449)	\$ -	\$ 19,314

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2006</u>
PROPRIETARY FUNDS				
Equipment	\$ 11,710	\$ -	\$ -	\$ 11,710
Less: accumulated depreciation	(3,903)	(3,903)	-	(7,806)
Capital assets, net	<u>\$ 7,807</u>	<u>\$ (3,903)</u>	<u>\$ -</u>	<u>\$ 3,904</u>

NOTE 4 - SALARIES AND PENSION PLAN CONTRIBUTIONS

Salaries of the regional and assistant superintendents are paid by the State of Illinois. All other salaries with the exception of employees paid by the Professional Development Alliance (PDA) Fund, are paid by Will County. Pension plan contributions associated with these salaries are also paid respectively, by the State of Illinois and Will County. Employees of the PDA Fund and the applicable pension plan contributions are paid by the Will County Regional Office of Education No. 56.

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

Regional Superintendent Salary	\$ 88,540
Regional Superintendent Fringe Benefits (includes State paid insurance)	12,523
Assistant Regional Superintendent Salary	79,686
Assistant Regional Superintendent Fringe Benefits (includes State paid insurance)	19,610
TRS Pension Contributions	<u>22,926</u>
Total	<u>\$ 223,285</u>

NOTE 5 - RETIREMENT FUND COMMITMENTS

Teachers' Retirement System of the State of Illinois

The Will County Regional Office of Education No. 56 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
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members are also required. The TRS Board of Trustees is responsible for the system's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2006, was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by employer, are submitted to TRS by the employer. In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The employer THIS Fund contribution was 0.6 percent during the year ended June 30, 2006, and the member THIS Fund health insurance contribution was 0.80 percent.

The State of Illinois makes contributions directly to TRS on behalf of the Will County Regional Office of Education No. 56's TRS-covered employees.

- **On-behalf Contributions.** The State of Illinois makes employer pension contributions on behalf of the Will County Regional Office of Education No. 56. For the year ended June 30, 2006, the State of Illinois contributions were based on 7.06 percent of creditable earnings, and the Will County Regional Office of Education No. 56, recognized revenue and expenditures of \$22,926 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2005 and June 30, 2004, the State of Illinois contribution rates as percentages of creditable earnings were 11.76 percent (\$33,923) and 13.98 percent (\$30,267), respectively.

The Will County Regional Office of Education No. 56 makes three other types of employer contributions directly to TRS.

- **2.2 Formula Contributions.** Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. Contributions for the year ended June 30, 2006 were \$1,884. Contributions for the years ended June 30, 2005, and June 30, 2004, were \$1,673 and \$1,950 respectively.
- **Federal and Trust Fund Contributions.** When TRS members are paid from federal and trust funds administered by the Will County Regional Office of Education No. 56, there is a statutory requirement for the Will County Regional Office of Education No. 56 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and trust funds will be the same as the state contribution rate to TRS. For the year ended June 30, 2006, the employer pension contribution was 7.06 percent of salaries paid from federal and trust funds. For the two years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2006, salaries totaling

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
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JUNE 30, 2006

\$111,137 were paid from federal and trust funds that required employer contributions of \$7,846. For the years ended June 30, 2005 and June 30, 2004, required Will County Regional Office of Education No. 56 contributions were \$15,019 and \$1,282, respectively.

- **Early Retirement Option.** The Will County Regional Office of Education No. 56 is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member and under which ERO program the member retires. Under Public Act 94-0004, a "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007. If members do not meet these conditions, they can retire under the "Modified ERO" program which requires higher member and employer contributions to TRS. Also, under Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service (unless the member qualifies for the Pipeline ERO). Under the ERO program that expired on June 30, 2005 and the Pipeline ERO, the maximum employer contribution is 100 percent of the member's highest salary used in the final average salary calculation. Under the Modified ERO, the maximum employer contribution is 117.5 percent. Both the 100 percent and 117.5 percent maximums apply when the member is age 55 at retirement. For the year ended June 30, 2006, the Will County Regional Office of Education No. 56 paid \$0 to TRS for employer contributions under the Pipeline ERO and Modified ERO programs. For the years ended June 30, 2005 and June 30, 2004, the Will County Regional Office of Education No. 56 paid \$1,184 and \$19,724, respectively in employer ERO contributions.

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

Illinois Municipal Retirement Fund

The Will County Regional Office of Education No. 56's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
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IMRF issues a financial report that includes financial statements and required supplementary information. The report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The Will County Regional Office of Education No. 56 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2005 was 11.60% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2005 was 5 years.

For December 31, 2005, the Will County Regional Office of Education No. 56's annual pension cost of \$49,070 was equal to the Will County Regional Office of Education No. 56'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 expense), (b) projected 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

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/05	\$ 49,070	100%	\$ —
12/31/04	29,013	100%	—
12/31/03	39,609	100%	—
12/31/02	43,782	100%	—
12/31/01	40,485	100%	—
12/31/00	32,758	100%	—
12/31/99	30,269	100%	—
12/31/98	25,149	100%	—
12/31/97	13,996	100%	—
12/31/96	4,927	100%	—

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 6 - RENTAL OF OFFICE SPACE

Will County Regional Office of Education No. 56 rents office space for Professional Development Alliance Fund operations. A renewal of the lease term was made on June 11, 2003 for the lease period June 1, 2005 through May 31, 2007, with monthly rental of \$6,000. Rental expense for the year ended June 30, 2006 was \$72,000.

Future minimum lease payment for the year ending June 30, 2007 amounts to \$30,000.

NOTE 7 - DUE FROM OTHER GOVERNMENT AGENCIES

The Will County Regional Office of Education No. 56's Special Revenue Funds have funds due from the following government agencies:

Illinois State Board of Education for the following programs:

Title II - Teacher Quality Leadership Grant	\$ 22,000
Technology Enhancing Education - Competitive	5,224
Other State Programs	12,246
	39,470

Clark, Coles, Cumberland, Douglas, Edgar, Moultrie and
 Shelby Counties Regional Office of Education No. 11

Total	4,458
	\$ 43,928

NOTE 8 - DUE TO OTHER FUNDS

The following is a summary of amounts due to other funds as of June 30, 2006:

Education Fund - Regional Safe Schools Program	\$ 15,666
Education Fund - General State Aid	3,840
Professional Development Alliance - Standard Aligned Classroom - Fair - 22	2,225
	21,731
Fiduciary Fund - Distributives Payable	11,353
Total	\$ 33,084
	\$ 33,084

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

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2006**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/05	\$ 374,932	\$ 426,348	\$ 51,416	87.94%	\$ 423,018	12.15%
12/31/04	353,163	370,665	17,502	95.28%	396,348	4.42%
12/31/03	328,350	380,826	52,476	86.22%	409,183	12.82%
12/31/02	301,268	292,139	(9,129)	103.12%	393,726	0.00%
12/31/01	200,407	225,111	24,704	89.03%	375,210	6.58%
12/31/00	118,200	165,657	47,457	71.35%	289,890	16.37%
12/31/99	90,988	132,513	41,525	68.66%	249,748	16.63%
12/31/98	49,492	97,107	47,615	50.97%	191,106	24.92%
12/31/97	14,760	58,483	43,723	25.24%	153,820	28.42%
12/31/96	-	-	-	-%	-	-%

On a market value basis, the actuarial value of assets as of December 31, 2005 is \$381,464. On a market basis, the funded ratio would be 89.47%.

***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

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 GENERAL FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2006

SCHEDULE 1

	ROE/ISC Operations	General Operations	Total
ASSETS			
Cash	\$ -	\$ 7,525	\$ 7,525
FUND BALANCES			
Fund balances, unrestricted	\$ -	\$ 7,525	\$ 7,525

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
GENERAL FUND**

SCHEDULE 2

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>ROE/ISC Operations</u>	<u>General Operations</u>	<u>Total</u>
REVENUES			
State sources	\$ 251,734	\$ -	\$ 251,734
Local sources			
Intergovernmental	-	20,039	20,039
Interest	-	343	343
On-behalf payments	-	223,285	223,285
	<hr/>	<hr/>	<hr/>
Total revenues	251,734	243,667	495,401
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Salaries	130,639	-	130,639
Benefits	45,800	-	45,800
Purchased services	75,295	12,416	87,711
Supplies and materials	-	1,533	1,533
Miscellaneous	-	5,990	5,990
On-behalf payments	-	223,285	223,285
	<hr/>	<hr/>	<hr/>
Total expenditures	251,734	243,224	494,958
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER EXPENDITURES	-	443	443
FUND BALANCES, BEGINNING OF YEAR	<hr/>	<hr/>	<hr/>
	-	7,082	7,082
	<hr/>	<hr/>	<hr/>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ 7,525</u>	<u>\$ 7,525</u>

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 3

	<u>ROE/ISC Operations</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
State sources	\$ 251,734	\$ 251,734	\$ -
EXPENDITURES			
Salaries	130,525	130,639	(114)
Benefits	46,425	45,800	625
Purchased services	74,784	75,295	(511)
Total expenditures	<u>251,734</u>	<u>251,734</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE, BEGINNING OF YEAR		<u>-</u>	
FUND BALANCE, END OF YEAR		<u>\$ -</u>	

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2006

SCHEDULE 4

	FY 2005/2004 Education to Careers	Regional Safe Schools Program	General State Aid	Title V - Innovative Programs - Formula	Title IV - Safe and Drug Free Schools - Formula
\$	100	\$ 103,365	\$ 361,755	\$	\$

ASSETS

Cash

56

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable
 Due to other funds
 Deferred revenues
 Total liabilities

-	82,975	166,047	-	-
-	15,666	3,840	-	-
-	871	-	-	-
-	99,512	169,887	-	-

FUND BALANCES

Fund balances, unrestricted

100	3,853	191,868	-	-
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TOTAL LIABILITIES AND FUND BALANCES

\$	100	\$ 103,365	\$ 361,755	\$	\$
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WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2006

SCHEDULE 4
 (CONTINUED)

	Title IV - 21st Century Community Learning Centers	Title IV - 21st Century Community Learning Centers	Total
McKinney Education for Homeless Children	\$ 5,301	\$ -	\$ 5,301
	\$ 109,468	\$ 76,157	\$ 185,625
	- 05	- 00	

ASSETS

Cash	\$ 5,301	\$ -	\$ 109,468	\$ 76,157	\$ 656,146
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LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	2,565	-	59,027	44,228	354,842
Due to other funds	-	-	-	-	19,506
Deferred revenues	2,422	-	47,783	29,031	80,107
Total liabilities	4,987	-	106,810	73,259	454,455

FUND BALANCES

Fund balances, unrestricted	314	-	2,658	2,898	201,691
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TOTAL LIABILITIES AND FUND BALANCES

	\$ 5,301	\$ -	\$ 109,468	\$ 76,157	\$ 656,146
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WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 EDUCATION FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 5

	FY 2005/2004 Education to Careers	Regional Safe Schools Program	General State Aid	Title V - Innovative Programs - Formula	Title IV - Safe and Drug Free Schools - Formula
REVENUES					
Local sources					
Interest	\$ -	\$ 1,738	\$ 7,083	\$ -	\$ -
State revenue	-	801,840	1,603,938	-	-
Federal revenue	-	-	-	467	455
Total revenues	-	803,578	1,611,021	467	455
EXPENDITURES					
Salaries	-	-	-	-	-
Benefits	-	-	-	-	-
Purchased services	-	3,230	-	-	-
Supplies and materials	-	179	-	467	455
Capital expenditures	-	-	-	-	-
Miscellaneous	20	-	-	-	-
Payments to other governments	-	798,431	1,677,054	-	-
Total expenditures	20	801,840	1,677,054	467	455
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(20)	1,738	(66,033)	-	-
FUND BALANCES, BEGINNING OF YEAR	120	2,115	257,901	-	-
FUND BALANCES, END OF YEAR	\$ 100	\$ 3,853	\$ 191,868	\$ -	\$ -

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 EDUCATION FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 5
 (CONTINUED)

	McKinney Education for Homeless Children	Title IV - Community Service	Title IV - 21st Century Community Learning Centers - 05	Title IV - 21st Century Community Learning Centers - 00	Total
REVENUES					
Local sources					
Interest	\$ 314	\$ (48)	\$ 1,734	\$ 2,898	\$ 13,719
State revenue	-	-	-	-	2,405,778
Federal revenue	42,230	-	982,447	710,472	1,736,071
Total revenues	42,544	(48)	984,181	713,370	4,155,568
EXPENDITURES					
Salaries	22,800	-	437,777	360,352	820,929
Benefits	-	-	68,801	54,124	122,925
Purchased services	15,806	-	402,475	268,690	690,201
Supplies and materials	663	-	72,470	27,306	101,540
Capital expenditures	2,961	-	-	-	2,961
Miscellaneous	-	-	-	-	20
Payments to other governments	-	-	-	-	2,475,485
Total expenditures	42,230	-	981,523	710,472	4,214,061
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	314	(48)	2,658	2,898	(58,493)
FUND BALANCES, BEGINNING OF YEAR	-	48	-	-	260,184
FUND BALANCES, END OF YEAR	\$ 314	\$ -	\$ 2,658	\$ 2,898	\$ 201,691

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 EDUCATION FUND
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 6

	Regional Safe Schools Program		Title V - Innovative Programs - Formula		Title IV - Safe and Drug Free Schools - Formula	
	Budget	Actual	Variance (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Federal sources	\$ -	\$ -	\$ -	\$ 467	\$ 467	\$ -
State sources	802,712	801,840	(872)	-	-	455
Local sources:						
Interest	-	1,738	1,738	-	-	-
Total revenues	802,712	803,578	866	467	467	455
EXPENDITURES						
Salaries	-	-	-	-	-	-
Benefits	-	-	-	-	-	-
Purchased services	-	3,230	(3,230)	-	-	-
Supplies and materials	-	179	(179)	467	467	455
Payments to other governments	802,712	798,431	4,281	-	-	-
Total expenditures	802,712	801,840	872	467	467	455
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	1,738	1,738	\$ -	\$ -	\$ -
FUND BALANCES, BEGINNING OF YEAR		2,115				
FUND BALANCES, END OF YEAR		\$ 3,853		\$ -	\$ -	\$ -

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 EDUCATION FUND
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 6
 (CONTINUED)

	Title IV - 21st Century Community Learning Centers - 05		Title IV - 21st Century Community Learning Centers - 00		Total	Variance		
	Budget	Actual	Budget	Actual		Favorable (Unfavorable)	Favorable (Unfavorable)	
\$ 943,700	\$ 982,447	\$ 38,747	\$ 667,400	\$ 710,472	\$ 43,072	\$ 1,612,022	\$ 1,693,841	\$ 81,819
-	-	-	-	-	-	802,712	801,840	(872)
-	1,734	1,734	-	2,898	2,898	-	6,370	6,370
943,700	984,181	40,481	667,400	713,370	45,970	2,414,734	2,502,051	87,317
388,440	437,777	(49,337)	309,640	360,352	(50,712)	698,080	798,129	(100,049)
57,560	68,801	(11,241)	45,250	54,124	(8,874)	102,810	122,925	(20,115)
367,200	402,475	(35,275)	261,010	268,690	(7,680)	628,210	674,395	(46,185)
130,500	72,470	58,030	51,500	27,306	24,194	182,922	100,877	82,045
-	-	-	-	-	-	802,712	798,431	4,281
943,700	981,523	(37,823)	667,400	710,472	(43,072)	2,414,734	2,494,757	(80,023)
\$ -	2,658	2,658	\$ -	2,898	2,898	\$ -	7,294	\$ 7,294
-	-	-	-	-	-	-	2,115	-
\$ -	2,658	2,658	\$ -	2,898	2,898	\$ -	9,409	\$ 9,409

REVENUES

Federal sources	
State sources	
Local sources:	
Interest	
Total revenues	

EXPENDITURES

Salaries	
Benefits	
Purchased services	
Supplies and materials	
Payments to other governments	
Total expenditures	

EXCESS OF REVENUES OVER EXPENDITURES

FUND BALANCES, BEGINNING OF YEAR

FUND BALANCES, END OF YEAR

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROFESSIONAL DEVELOPMENT ALLIANCE FUNDS
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2006

SCHEDULE 7

	Learning Technology Center	Standards Aligned Classroom - Area I	Standards Aligned Classroom - Fair - 22	Title I - Reading First Part B SEA Funds - 04	FY 2005 Title I - Reading First Part B SEA Funds - 02
ASSETS					
Cash	498	9,621	-	2,238	\$ -
Due from other governmental agencies	-	-	4,458	-	-
TOTAL ASSETS	498	9,621	4,458	2,238	-
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	498	9,621	2,233	778	-
Due to other funds	-	-	2,225	-	-
Deferred revenues	-	-	-	1,460	-
Total liabilities	498	9,621	4,458	2,238	-
FUND BALANCES					
Fund balances, unrestricted	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	498	9,621	4,458	2,238	\$ -

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROFESSIONAL DEVELOPMENT ALLIANCE FUNDS
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2006

SCHEDULE 7
 (CONTINUED)

	FY 2006 Title 1 - Reading First Part B SEA Funds - 02	FY 2005 Reading First Services - 04	FY 2006 Reading First Services - 01	FY 2006 Technology Enhancing Education - Competitive	FY 2005 Technology Enhancing Education - Competitive
ASSETS					
Cash	\$ 8,498	\$ -	\$ -	\$ 8,826	\$ -
Due from other governmental agencies	-	-	-	5,224	-
TOTAL ASSETS	8,498	-	-	14,050	-
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	-	-	-	14,050	-
Due to other funds	-	-	-	-	-
Deferred revenues	8,498	-	-	-	-
Total liabilities	8,498	-	-	14,050	-
FUND BALANCES					
Fund balances, unrestricted	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	8,498	-	-	14,050	-

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROFESSIONAL DEVELOPMENT ALLIANCE FUNDS
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2006

SCHEDULE 7
 (CONTINUED)

	FY 2006 Title I - School Improvement and Accountability	FY 2005 Title I - School Improvement and Accountability	FY 2006 Title II - Teacher Quality Leadership Grant	FY 2005 Title II - Teacher Quality Leadership Grant	Other State Programs (Support Services)	Total
ASSETS						
Cash	\$ 486,401	\$ -	\$ 1,424	\$ -	\$ 12,047	\$ 529,553
Due from other governmental agencies	-	-	22,000	-	12,246	43,928
TOTAL ASSETS	486,401	-	23,424	-	24,293	573,481
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	268,960	-	23,424	-	24,293	343,857
Due to other funds	-	-	-	-	-	2,225
Deferred revenues	217,441	-	-	-	-	227,399
Total liabilities	486,401	-	23,424	-	24,293	573,481
FUND BALANCES						
Fund balances, unrestricted	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 486,401	\$ -	\$ 23,424	\$ -	\$ 24,293	\$ 573,481

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROFESSIONAL DEVELOPMENT ALLIANCE FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 8

	Learning Technology Center	Standards Aligned Classroom - Area I	Standards Aligned Classroom - Fair - 22	Title I - Reading First Part B SEA Funds - 04	FY 2005 Title I - Reading First Part B SEA Funds - 02
REVENUES					
State revenues	\$ 146,231	\$ -	\$ -	\$ -	\$ -
Federal revenues	-	83,000	4,562	18,540	14,650
Total revenues	146,231	83,000	4,562	18,540	14,650
EXPENDITURES					
Salaries	91,428	-	-	8,300	-
Benefits	28,479	-	-	1,177	-
Purchased services	15,857	24,500	2,330	6,798	14,100
Supplies and materials	5,099	2,000	-	2,265	550
Capital expenditures	5,368	-	-	-	-
Payments to other governments	-	56,500	2,232	-	-
Total expenditures	146,231	83,000	4,562	18,540	14,650
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	-	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-	-
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROFESSIONAL DEVELOPMENT ALLIANCE FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 8
 (CONTINUED)

	FY 2006 Title I - Reading First Part B SEA Funds - 02	FY 2005 Reading First Services - 04	FY 2006 Reading First Services - 01	FY 2006 Technology Enhancing Education Competitive	FY 2005 Technology Enhancing Education Competitive
REVENUES					
State revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal revenues	13,642	8,986	5,589	76,745	45,068
Total revenues	13,642	8,986	5,589	76,745	45,068
EXPENDITURES					
Salaries	5,588	4,437	3,739	13,594	-
Benefits	929	624	1,351	3,700	-
Purchased services	6,285	2,653	499	44,041	24,692
Supplies and materials	840	1,272	-	2,960	250
Capital expenditures	-	-	-	-	-
Payments to other governments	-	-	-	12,450	20,126
Total expenditures	13,642	8,986	5,589	76,745	45,068
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	-	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-	-
FUND BALANCES, END OF YEAR	-	-	-	-	-

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROFESSIONAL DEVELOPMENT ALLIANCE FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 8
 (CONTINUED)

	FY 2006 Title I - School Improvement and Accountability	FY 2005 Title I - School Improvement and Accountability	FY 2006 Title II - Teacher Quality Leadership Grant	FY 2005 Title II - Teacher Quality Leadership Grant	Other State Programs (Support Services)	Total
REVENUES						
State revenues	-	-	-	-	\$ 140,000	\$ 286,231
Federal revenues	2,251,039	443,497	132,000	85,977	-	3,183,295
Total revenues	2,251,039	443,497	132,000	85,977	140,000	3,469,526
EXPENDITURES						
Salaries	106,532	19,420	23,000	8,502	30,000	314,540
Benefits	35,980	5,681	5,936	3,039	8,639	95,535
Purchased services	403,609	75,704	22,587	24,581	14,107	682,343
Supplies and materials	23,892	10,998	2,861	627	3,254	56,868
Capital expenditures	-	-	-	-	-	5,368
Payments to other governments	1,681,026	331,694	77,616	49,228	84,000	2,314,872
Total expenditures	2,251,039	443,497	132,000	85,977	140,000	3,469,526
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	-	-	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-	-	-
FUND BALANCES, END OF YEAR	-	-	-	-	-	-

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROFESSIONAL DEVELOPMENT ALLIANCE FUNDS
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 9

	Learning Technology Center				Title I - Reading First Part B SEA Funds - 04				
	Actual		Variance		Budget		Variance		
	Budget	Actual	(Unfavorable)	Favorable	Budget	Actual	(Unfavorable)	Favorable	
REVENUES									
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ 18,540	\$ -	\$ -	\$ (1,460)
State sources	146,231	146,231	-	-	-	-	-	-	-
Total revenues	146,231	146,231	-	-	20,000	18,540	-	-	(1,460)
EXPENDITURES									
Salaries	91,605	91,428	177	177	8,050	8,300	-	-	(250)
Benefits	28,250	28,479	(229)	(229)	1,157	1,177	-	-	(20)
Purchased services	16,876	15,857	1,019	1,019	8,993	6,798	-	-	2,195
Supplies and materials	4,500	5,099	(599)	(599)	1,800	2,265	-	-	(465)
Capital expenditures	5,000	5,368	(368)	(368)	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-	-	-	-
Total expenditures	146,231	146,231	-	-	20,000	18,540	-	-	1,460
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-	-	-	-	-	-
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROFESSIONAL DEVELOPMENT ALLIANCE FUNDS
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 9
 (CONTINUED)

	FY 2006 Title I - Reading First Part B SEA Funds				Other State Programs (Support Services)			
	Budget	Actual	Variance (Unfavorable)	Favorable	Budget	Actual	Variance (Unfavorable)	Favorable
REVENUES								
Federal sources	\$ 22,140	\$ 13,642	\$ (8,498)	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	140,000	140,000	140,000	-	-
Total revenues	22,140	13,642	(8,498)	140,000	140,000	140,000	-	-
EXPENDITURES								
Salaries	5,000	5,588	(588)	30,000	30,000	30,000	-	-
Benefits	1,590	929	661	8,200	8,639	8,639	(439)	(439)
Purchased services	13,350	6,285	7,065	13,800	14,107	14,107	(307)	(307)
Supplies and materials	2,200	840	1,360	4,000	3,254	3,254	746	746
Capital expenditures	-	-	-	-	-	-	-	-
Payments to other governments	-	-	-	84,000	84,000	84,000	-	-
Total expenditures	22,140	13,642	8,498	140,000	140,000	140,000	-	-
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-	-	-	-	-
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROFESSIONAL DEVELOPMENT ALLIANCE FUNDS
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 9
 (CONTINUED)

	FY 2006 Title I - School Improvement & Accountability		FY 2006 Title II - Teacher Quality Leadership Grant		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
REVENUES					
Federal sources	\$ 3,097,660	\$ 2,251,039	\$ (846,621)	\$ 132,000	\$ -
State sources	-	-	-	-	-
Total revenues	<u>3,097,660</u>	<u>2,251,039</u>	<u>(846,621)</u>	<u>132,000</u>	<u>-</u>
EXPENDITURES					
Salaries	120,000	106,532	13,468	23,000	-
Benefits	50,000	35,980	14,020	5,936	(236)
Purchased services	625,833	403,609	222,224	23,184	597
Supplies and materials	25,000	23,892	1,108	2,500	(361)
Capital expenditures	-	-	-	-	-
Payments to other governments	2,276,827	1,681,026	595,801	77,616	-
Total expenditures	<u>3,097,660</u>	<u>2,251,039</u>	<u>846,621</u>	<u>132,000</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-	-
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 PROFESSIONAL DEVELOPMENT ALLIANCE FUNDS
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 9
 (CONTINUED)

FY 2006 Technology Enhancing Education - Competitive						
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
	Total			Total		
REVENUES						
Federal sources	\$ 84,296	\$ 76,745	\$ (7,551)	\$ 3,356,096	\$ 2,491,966	\$ (864,130)
State sources				286,231	286,231	
Total revenues	84,296	76,745	(7,551)	3,642,327	2,778,197	(864,130)
EXPENDITURES						
Salaries	12,200	13,594	(1,394)	289,855	278,442	11,413
Benefits	4,050	3,700	350	98,947	84,840	14,107
Purchased services	51,746	44,041	7,705	753,782	513,284	240,498
Supplies and materials	2,500	2,960	(460)	42,500	41,171	1,329
Capital expenditures	13,800	-	13,800	18,800	5,368	13,432
Payments to other governments	-	12,450	(12,450)	2,438,443	1,855,092	583,351
Total expenditures	84,296	76,745	7,551	3,642,327	2,778,197	864,130
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES, BEGINNING OF YEAR						
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2006

SCHEDULE 10

	General Education Development	School Bus Driver Training	Supervisory	Lambert	Total
ASSETS					
Cash	\$ 36,288	\$ 14,772	\$ 923	\$ 865	\$ 52,848
FUND BALANCES					
Fund balances, unrestricted	\$ 36,288	\$ 14,772	\$ 923	\$ 865	\$ 52,848

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2006

	General Education Development	School Bus Driver Training	Supervisory	Lambert	Total
REVENUES					
State revenue	\$ -	\$ 1,440	\$ 1,000	\$ -	\$ 2,440
Local sources					
Fees for services	52,588	4,788	-	-	57,376
Interest income	1,138	504	49	28	1,719
Total revenues	<u>53,726</u>	<u>6,732</u>	<u>1,049</u>	<u>28</u>	<u>61,535</u>
EXPENDITURES					
Purchased services	39,331	4,250	-	-	43,581
Supplies and materials	9,930	-	-	-	9,930
Miscellaneous	555	1,330	845	-	2,730
Total expenditures	<u>49,816</u>	<u>5,580</u>	<u>845</u>	<u>-</u>	<u>56,241</u>
EXCESS OF REVENUES OVER EXPENDITURES	3,910	1,152	204	28	5,294
FUND BALANCES, BEGINNING OF YEAR	32,378	13,620	719	837	47,554
FUND BALANCES, END OF YEAR	<u>\$ 36,288</u>	<u>\$ 14,772</u>	<u>\$ 923</u>	<u>\$ 865</u>	<u>\$ 52,848</u>

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 FIDUCIARY FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2006

SCHEDULE 12

	<u>Distributive</u>	<u>Forest Conservation</u>	<u>Total</u>
ASSETS			
Cash	\$ 11,353	\$ -	\$ 11,353
LIABILITIES			
Distributives payable	\$ 11,353	\$ -	\$ 11,353

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 FIDUCIARY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
 JUNE 30, 2006

SCHEDULE 13

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
DISTRIBUTIVE				
ASSETS				
Cash	\$ 6,980	\$ 7,500,415	\$ 7,496,042	\$ 11,353
LIABILITIES				
Distributives payable	\$ 6,980	\$ 7,500,415	\$ 7,496,042	\$ 11,353
 FOREST CONSERVATION				
ASSETS				
Cash	\$ -	114,801	114,801	\$ -
LIABILITIES				
Due to other governmental units	\$ -	112,237	112,237	\$ -
 TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 6,980	7,615,216	7,610,843	\$ 11,353
LIABILITIES				
Distributives payable	6,980	7,500,415	7,496,042	11,353
Due to other governmental units	-	112,237	112,237	-
Total liabilities	\$ 6,980	\$ 7,612,652	\$ 7,608,279	\$ 11,353

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHERS
FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 14

	<u>Education Fund</u>	<u>Professional Development Alliance</u>	<u>Will County Regional Office of Education</u>	<u>Total</u>
General State Aid	\$ 1,603,938	\$ -	\$ -	\$ 1,603,938
ROE School Bus Driver Training	-	-	1,440	1,440
Regional Safe Schools	802,712	-	-	802,712
ROE/ISC Operations	68,655	183,220	-	251,875
Supervisory Expense	-	-	1,000	1,000
Title I - School Improvement	-	2,777,501	-	2,777,501
Title I - Reading First Part B SEA Funds	-	46,649	-	46,649
Title II - Teacher Quality Leadership Grant	-	110,000	-	110,000
21st Century Community Learning Centers Program	641,130	-	-	641,130
21st Century Kids Club II	914,340	-	-	914,340
Title II - Teacher Quality Leadership Grant	-	25,801	-	25,801
Technology Enhancing Education - Competitive	-	30,000	-	30,000
Title V - Innovative Programs - Formula	467	-	-	467
Title IV - Safe and Drug Free Schools - Formula	455	-	-	455
Technology for Schools - Networks	-	146,231	-	146,231
Other State Programs	-	142,503	-	142,503
	<u>\$ 4,031,697</u>	<u>\$ 3,461,905</u>	<u>\$ 2,440</u>	<u>\$ 7,496,042</u>

WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 15

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2006 Expenditures
DEPARTMENT OF EDUCATION			
State Grants for Innovative Programs			
Passed-Through Illinois State Board of Education			
<i>Title V - Innovative Programs - Formula</i>	84.298A	2006-4100-00	\$ 467
Safe and Drug-Free Schools and Communities State Grants			
Passed-Through Illinois State Board of Education			
<i>Title IV - Safe and Drug Free Schools - Formula</i>	84.186A	2006-4400-00	455
Title I Grants to Local Educational Agencies			
Passed-Through Illinois State Board of Education			
<i>Title I - School Improvement and Accountability</i>	(M) 84.010A	2005-4331-SS	443,497
<i>Title I - School Improvement and Accountability</i>	(M) 84.010A	2006-4331-SS	2,251,039
			<u>2,694,536</u>
Reading First State Grants			
Passed-Through Illinois State Board of Education			
<i>Title I - Reading First Part B SEA Funds</i>	84.357A	2006-4337-04	18,540
<i>Title I - Reading First Part B SEA Funds</i>	84.357A	2005-4337-02	14,650
<i>Title I - Reading First Part B SEA Funds</i>	84.357A	2006-4337-02	13,642
Passed-Through Lake County Regional Office of Education No. 34			
<i>Reading First Services - 01</i>	84.357A	2005-4337-01	5,589
<i>Reading First Services - 04</i>	84.357A	2006-4337-04	8,986
			<u>61,407</u>
Twenty-First Century Community Learning Centers			
Passed-Through Illinois State Board of Education			
<i>Title IV - 21st Century Community Learning Centers</i>	(M) 84.287C	2006-4421-00	710,472
<i>Title IV - 21st Century Community Learning Centers</i>	(M) 84.287C	2006-4421-05	895,917
<i>Title IV - 21st Century Community Learning Centers</i>	(M) 84.287C	2005-4421-05	85,606
			<u>1,691,995</u>
Improving Teacher Quality State Grants			
Passed-Through Illinois State Board of Education			
<i>Title II - Teacher Quality Leadership Grant</i>	84.367A	2006-4935-SS	132,000
<i>Title II - Teacher Quality Leadership Grant</i>	84.367A	2005-4935-SS	85,977
			<u>217,977</u>
Education Technology State Grants			
Passed-Through Illinois State Board of Education			
<i>Technology - Enhancing Education - Competitive</i>	84.318X	2006-4972-00	76,745
<i>Technology - Enhancing Education - Competitive</i>	84.318X	2005-4972-00	45,068
			<u>121,813</u>
Education for Homeless Children and Youth			
Passed-Through Kane County Regional Office of Education No. 31			
<i>McKinney Education for Homeless Children</i>	84.196A	2006-4920-00	42,230
Other Federal Grants			
Passed-Through Clark, Coles, Cumberland, Douglas, Edgar, Moultrie and Shelby Counties Regional Office of Education No. 11			
<i>Standards Aligned Classroom Grant</i>	84.289A	2006-4999-00	83,000
<i>Standards Aligned Classroom Grant - Fair</i>	84.289A	2006-4999-00	4,562
			<u>87,562</u>
TOTAL DEPARTMENT OF EDUCATION			\$ 4,918,442
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,918,442

(M) Program was audited as a major program

The accompanying notes are an integral part of this schedule.

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 1. Reporting Entity Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Will County Regional Office of Education No. 56 and is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2. Subrecipients

The Will County Regional Office of Education No. 56 provided federal awards totaling \$2,139,564 to the following:

<u>Grant Title / CFDA #</u>	<u>DuPage County Regional Office of Education No. 19</u>	<u>Kane County Regional Office of Education No. 31</u>	<u>Lake County Regional Office of Education No. 34</u>	<u>Total</u>
Title I - School Improvement & Accountability (CFDA #84.010A)	\$ 364,552	\$ 910,894	\$ 737,274	\$2,012,720
Title II - Teacher Quality Leadership Grant (CFDA #84.367A)	31,272	47,104	48,468	126,844
Total	\$ 395,824	\$ 957,998	\$ 785,742	\$2,139,564

Note 3. Description of Federal Programs Audited as a Major Program

The Title IV - 21st Century Community Learning Centers provide academic enrichment opportunities for children, particularly students who attend high-poverty and low-performing schools. The program helps students meet state and local student standards in core academic subjects, such as reading and math; offers students a broad array of enrichment activities that can complement their regular academic programs; and offers literacy and other educational services to the families of participating children.

**WILL COUNTY REGIONAL OFFICE OF EDUCATION NO. 56
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Title I - School Improvement and Accountability provides school districts with funds to carry out their school improvement and corrective action responsibilities under Section 1116(c) of Title I while offering students in schools identified for improvement and corrective action the opportunity to transfer to another higher performing public school, including a public charter school within the district.

Note 4. Non-Cash Assistance

Not applicable.

Note 5. Amount of Insurance

Not applicable.

Note 6. Loan or Loan Guarantees Outstanding

Not applicable.