

**State of Illinois**  
**BOND, FAYETTE, EFFINGHAM COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #3**  
**FINANCIAL AUDIT**  
**(In Accordance with the Single Audit Act and**  
**OMB Circular A-133)**  
**For the Year Ended June 30, 2006**

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

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
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 JUNE 30, 2006

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REGIONAL OFFICE OF EDUCATION #3

OFFICIALS

Regional Superintendent  
(Current and during the audit period)

Mr. Mark A. Drone

Assistant Regional Superintendent  
(Current and during the audit period)

Ms. Julie R. Wollerman

Offices are located at:

Vandalia Office  
300 South Seventh  
Vandalia, IL 62471

Effingham Office  
Effingham County Building  
101 N. 4<sup>th</sup>, Room 204  
Effingham, IL 62401

Greenville Office  
Bond County Courthouse  
200 W. College  
Greenville, IL 62246

REGIONAL OFFICE OF EDUCATION #3

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	2	2
Repeated audit findings	1	0
Prior recommendations implemented or not repeated	1	5

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)		
06-1	12a	Controls over Compliance with Laws and Regulations
06-2	12c	Internal Control over Disbursements and Purchases

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

NONE

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

05-1

16

Capitalization Policy

PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

NONE

INFORMAL EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference on December 7, 2006. Attending were Mark Drone, Regional Superintendent, and Tami Knight, Manager, Kemper CPA Group LLP. Responses to the recommendations were provided by Mark Drone, Regional Superintendent.

## FINANCIAL STATEMENT REPORT

### SUMMARY

The audit of the accompanying basic financial statements of the Bond, Fayette, Effingham Counties Regional Office of Education #3 was performed by Kemper CPA Group LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Regional Office of Education #3'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 Bond, Fayette, Effingham Counties Regional Office of Education #3, as of and for the year ended June 30, 2006, which collectively comprise the Regional Office of Education #3's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Regional Office of Education #3'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 Regional Office of Education #3, 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 September 1, 2006, on our consideration of the Regional Office of Education #3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 16a through 16j, and page 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional Office of Education #3's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the Schedule of Disbursements to School District Treasurers and Other Entities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Kemper CPA Group LLP*

*Certified Public Accountants and Consultants*

Mt. Vernon, Illinois  
September 1, 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 Regional Office of Education #3, as of and for the year ended June 30, 2006, which collectively comprise the Regional Office of Education #3's basic financial statements and have issued our report thereon dated September 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Regional Office of Education #3's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Regional Office of Education #3's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 06-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regional Office of Education #3'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 an immaterial instance of noncompliance which we reported on the accompanying Schedule of Findings and Questioned Costs as item 06-1.

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

*Kemper CPA Group LLP*

*Certified Public Accountants and Consultants*

Mt. Vernon, Illinois  
September 1, 2006



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

Honorable William G. Holland  
Auditor General  
State of Illinois

Compliance

We have audited the compliance of the Regional Office of Education #3 with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Regional Office of Education #3's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Regional Office of Education #3's management. Our responsibility is to express an opinion on the Regional Office of Education #3's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 criteria as required by the *Guidelines to Auditing and Reporting for a Regional Office of Education*. Those standards and criteria require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Regional Office of Education #3's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Regional Office of Education #3's compliance with those requirements.

In our opinion, the Regional Office of Education #3 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 Regional Office of Education #3 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Regional Office of Education #3's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 criteria as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*.

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

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

*Kemper CPA Group LLP*

*Certified Public Accountants and Consultants*

Mt. Vernon, Illinois  
September 1, 2006

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2006

SECTION I – SUMMARY OF AUDITOR’S RESULTS

**Financial Statements**

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
● Material weakness(es) identified?	No
● Reportable condition(s) identified that are not considered to be material weakness(es)?	Yes
● Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
● Material weakness(es) identified?	No
● Reportable condition(s) identified that are not considered to be material weakness(es)?	No
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	No

Identification of **major** programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.196A	McKinney Education for Homeless Children

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

Auditee qualified as a low-risk auditee?	No
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BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding No. 06-1 – Controls Over Compliance with Laws and Regulations (Repeat 05-2)**

**Criteria/specific requirements:**

- A. The Illinois School Code 105 ILCS 5/3-14.11 states that the Regional Superintendent shall examine at least once each year all books, accounts and vouchers of every school treasurer in his educational service region, and if he finds any irregularities in them, to report them at once, in writing, to the trustees in Class II county school units, to the respective school boards of those school districts which form a part of a Class II county school unit but which are not subject to the jurisdiction of the trustees of schools of any township in which any such district is located, or to the respective school boards of the district in Class I county school units whose duty it shall be to take immediately such action as the case demands. (This mandate has existed in its current form since at least 1953.)
- B. The Illinois School Code 105 ILCS 5/3-14.5 requires the Regional Superintendent to visit each public school in the county at least once a year, noting the methods of instruction, the branches taught, the text-books used, and the discipline, government and general condition of the schools. (This mandate has existed in its current form since at least 1953.)

**Conditions:**

- A. The Regional Office 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 #3 performs compliance inspections for each public school in his Region on a rotational basis every 3 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. The Regional Superintendent does perform a cursory review of new textbooks each year.

**Effects:**

The Regional Office of Education #3 did not comply with statutory requirements.

**Causes:**

- A. The level of financial review performed by the Regional Superintendent is not adequate to comply with the statute.
- B. The Regional Superintendent believed that the periodic compliance visits and annual mini-compliance visits completed at the public schools were sufficient to satisfy the statutory requirement.



BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding No. 06-1 – Controls Over Compliance with Laws and Regulations (Repeat 05-2), Concluded**

**Recommendations:**

- A. The Regional Office of Education #3 should comply with the requirements of 105 ILCS 5/3-14.11.
- B. The Regional Superintendent should visit each public school annually to review all items noted in the statute as 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 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 23<sup>rd</sup> 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.

BOND, FAYETTE, EFFINGHAM COUNTIES  
REGIONAL OFFICE OF EDUCATION #3  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding No. 06-2 – Internal Control over Disbursements and Purchases**

**Criteria/specific requirement:**

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over disbursements and purchases to prevent errors and fraud.

**Condition:**

In five instances, the Regional Office did not have proper documentation to support credit card charges totaling \$747 for hotel lodging.

In addition, one of the hotel charges included an in-room movie for which the Regional Office did not have documentation to show that the employee had reimbursed the Regional Office for the personal charge.

**Effect:**

Inappropriate purchases are possible when the original receipts are not obtained to support the credit card charge.

**Cause:**

The Regional Office of Education #3 is not following their internal control procedures over credit card purchases.

**Auditors' Recommendation:**

The Regional Office of Education #3 should ensure that all original credit card receipts are obtained and reconciled to the original monthly statement to verify that all charges are appropriate, authorized, and paid in a timely manner. The Regional Office should also maintain documentation to support employee reimbursements for any personal charges.

**Management's Response:**

After investigating the root cause of Finding No. 06-2 – Internal Control over Disbursements and Purchases, the Regional Superintendent agrees with the finding and wishes to provide a detailed explanation.

The five instances that lacked proper documentation to support credit card charges for hotel lodging were grouped together on bills from the hotels and paid accordingly. When the lack of documentation was brought to our attention by the auditors, we immediately contacted the hotels and requested the individual room invoices. We received copies from one of the hotels, however, the contact person at the other hotel informed us that the hotel had recently changed ownership and management no longer had the records we sought. The Regional Office of Education has copies of the registration forms and the group booking contract for the latter hotel, we just don't have access to the three invoices.

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006

**SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:**

**INSTANCES OF NONCOMPLIANCE:**

NONE

**REPORTABLE CONDITIONS:**

NONE

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
JUNE 30, 2006

**Corrective Action Plan**

**Finding No. 06-1**

**Condition:**

- A. The Regional Office 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 #3 performs compliance inspections for each public school in his Region on a rotational basis every 3 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. The Regional Superintendent does perform a cursory review of new textbooks each year.

**Plan:**

- A. The Regional Office of Education #3 will comply with the requirements of 105 ILCS 5/3-14.11.
  
- B. The Regional Superintendent will visit each public school annually to review all items noted in the statute as 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 will seek legislative action to revise the statutes accordingly.

**Anticipated Date of Completion:**

Immediately upon learning of the oversight.

**Name of Contact Person:**

Honorable Mr. Mark A. Drone, Regional Superintendent of Schools

**Finding No. 06-2**

**Condition:**

In five instances, the Regional Office did not have proper documentation to support credit card charges totaling \$747 for hotel lodging.

In addition, one of the hotel charges included an in-room movie for which the Regional Office did not have documentation to show that the employee had reimbursed the Regional Office for the personal charge.

**Plan:**

The Regional Office of Education #3 will ensure that all original credit card receipts are obtained and reconciled to the original monthly statement to verify that all charges are appropriate, authorized, and paid in a timely manner. The Regional Office will also maintain documentation to support employee reimbursements for any personal charges.

**Anticipated Date of Completion:**

Immediately upon learning of the oversight.

**Name of Contact Person:**

Honorable Mr. Mark A. Drone, Regional Superintendent of Schools

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2006

<b><u>Finding No.</u></b>	<b><u>Condition</u></b>	<b><u>Current Status</u></b>
05-1	Capitalization Policy	Corrective Action Taken
05-2	Controls over Compliance with Laws and Regulations	Repeat 06-01

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**REGIONAL OFFICE OF EDUCATION #3  
BOND, FAYETTE, EFFINGHAM COUNTIES  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006**

The following is a discussion and analysis of the financial performance of the Regional Office of Education for Bond, Fayette, and Effingham Counties for the fiscal year ended June 30, 2006. This section is a summary of the financial activities of the Regional Office of Education #3 based on currently known facts, decisions, or conditions. It is also based on both the government-wide and governmental fund financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the financial statements for the Regional Office of Education for Bond, Fayette, and Effingham Counties, which immediately follow this section.

**Overview of the Financial Statements**

This annual report consists of five parts: Management's Discussion and Analysis (MD&A), the Basic Financial Statements, Notes to the Financial Statements, required supplementary information, and supplementary information. The Basic Financial Statements include two kinds of statements that present different views of the Regional Office of Education #3:

- The first two statements are general financial statements that provide both short-term and long-term information about the Regional Office of Education #3's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Regional Office of Education #3, reporting the Regional Office of Education #3's operations in more detail than the general statements. The fund financial statements concentrate on the Regional Office of Education #3's most significant funds with all other non-major funds listed in total in one column.
- Governmental funds statements tell how basic services such as grant-funded programs were financed in the short term as well as what remains for future spending.
- Proprietary funds statements provide information related to services provided to organizations comprising the Bond, Fayette, and Effingham Counties Education Service Region.
- Fiduciary funds statements provide information about the financial relationships in which the Regional Office of Education #3 acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Required supplementary information includes the Management's Discussion and Analysis and the Illinois Municipal Retirement Fund Schedule of Funding Progress that further explains and supports the financial statements. Supplementary information provides a comparison of the Regional Office of Education #3's budgets for the year and also includes combining and individual nonmajor fund financial statements.

*Figure A-1* summarizes the major features of the Regional Office of Education #3's financial statements, including the portion of the Regional Office of Education #3's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

**REGIONAL OFFICE OF EDUCATION #3  
BOND, FAYETTE, EFFINGHAM COUNTIES  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006**

**Overview of the Financial Statements (Continued)**

**Figure A-1**

<b>Major Features of the Regional Office of Education #3's Government-wide and Fund Financial Statements</b>				
	<b>Government-wide Statements</b>	<b>Fund Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire Regional Office of Education (except fiduciary funds)	The activities of the Regional Office of Education that are not proprietary or fiduciary, such as special revenue and general funds	Activities the Regional Office of Education operates in which expenses related to services are done on a cost-reimbursement basis.	Instances in which the Regional Office of Education administers resources on behalf of someone else.
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Revenues, Expenses and Changes in Net Assets</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Assets</li> <li>• Statement of Changes in Fiduciary Net Assets</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
<b>Type of inflow/out flow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



**REGIONAL OFFICE OF EDUCATION #3  
BOND, FAYETTE, EFFINGHAM COUNTIES  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006**

**Overview of the Financial Statements (Continued)**

**Government-Wide Statements**

The government-wide statements report information about the Regional Office of Education #3 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Regional Office of Education #3's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Regional Office of Education #3's net assets and how they have changed. Net assets, the difference between the Regional Office of Education #3's assets and liabilities, is one way to measure the Regional Office of Education #3's financial health or position.

- Increases or decreases in the Regional Office of Education #3's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Regional Office of Education #3, one needs to consider additional non-financial factors, such as changes in the State Board of Education's policies, as well as changes in federal programs and policies that impact educational services in individual States.

In the government-wide financial statements, the Regional Office of Education #3's activities are divided into two categories:

- **Governmental Activities:** Most of the Regional Office of Education #3's basic services are included here, such as grant-funded programs, support services, and administration.
- **Business-type activities:** The Regional Office of Education #3 charges fees to help cover the costs of certain services and workshops it provides.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Regional Office of Education #3's funds, focusing on its most significant or "major" funds – not the Regional Office of Education #3 as a whole. Funds are accounting devices the Regional Office of Education #3 uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law. The Regional Office of Education #3 establishes other funds to control and to manage money for particular purposes or to show that it is properly using certain revenues, such as federal grants.

**REGIONAL OFFICE OF EDUCATION #3  
BOND, FAYETTE, EFFINGHAM COUNTIES  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006**

**Overview of the Financial Statements (Continued)**

**Fund Financial Statements (Concluded)**

The Regional Office of Education #3 has three kinds of funds:

- **Governmental Funds:** Most of the Regional Office of Education #3's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Regional Office of Education #3's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements a reconciliation between the governmental fund financial statements and the government-wide financial statements follow the related governmental fund financial statements.
- **Proprietary Funds:** The Regional Office of Education #3 charges fees for some services. Proprietary funds are reported in the same way as government-wide statements. The Regional Office of Education #3's Enterprise funds, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The Regional Office of Education #3 currently has one Enterprise Fund, the Local Workshops Fund.
- **Fiduciary Funds:** The Regional Office of Education #3 is the trustee, or fiduciary, for a small amount of assets that belong to others. The Regional Office of Education #3 is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Regional Office of Education #3 excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

**Government-wide Financial Analysis**

**Statement of Net Assets**

The Statement of Net Assets reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components-the amount due within one year and the amount due in more than one year. The difference between the Regional Office of Education #3's assets and liabilities is its net assets.

This section will explain the differences between the current and prior year's assets, liabilities, and changes in net assets. The Regional Office of Education for Bond, Fayette, and Effingham Counties' financial activities include both Governmental and Business-type activities. These are reported below.

**REGIONAL OFFICE OF EDUCATION #3  
BOND, FAYETTE, EFFINGHAM COUNTIES  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006**

**Government-wide Financial Analysis (Continued)**

**Statement of Net Assets (Continued)**

**CONDENSED STATEMENT OF NET ASSETS**

**GOVERNMENTAL ACTIVITIES**

	2006	2005	Increase / (Decrease)
Current Assets	\$ 537,346	\$ 482,462	54,884
Capital assets, being depreciated, net	27,476	27,067	409
Total Assets	564,822	509,529	55,293
Current Liabilities	123,891	132,942	(9,051)
Net Assets:			
Invested in capital assets	27,476	27,067	409
Unrestricted	363,616	309,601	54,015
Restricted for teacher professional development	49,839	39,919	9,920
Total Net Assets	\$ 440,931	\$ 376,587	64,344

The Regional Office of Education #3's governmental assets exceeded governmental liabilities (net assets) by \$440,931 at the close of the fiscal year. Cash and cash equivalents made up the majority of assets. The increase in current assets and net assets resulted from an increase in local revenue. The Regional Office of Education #3 uses its governmental net assets to perform general operations, provide professional services to school districts in the Bond, Fayette, and Effingham Counties Educational Service Region and surrounding areas, and to operate Alternative Education Programs within the region. In addition, net assets related to the Institute Fund are considered restricted for teacher professional development.

**BUSINESS-TYPE ACTIVITIES**

	2006	2005	Increase / (Decrease)
Current Assets	\$ 147,007	\$ 199,972	(52,965)
Capital assets, being depreciated, net	6,627	7,137	(510)
Total Assets	153,634	207,109	(53,475)
Net Assets:			
Invested in capital assets	6,627	7,137	(510)
Unrestricted	147,007	199,972	(52,965)
Total Net Assets	\$ 153,634	\$ 207,109	(53,475)

**REGIONAL OFFICE OF EDUCATION #3  
BOND, FAYETTE, EFFINGHAM COUNTIES  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006**

**Government-wide Financial Analysis (Continued)**

**Statement of Net Assets (Concluded)**

The Regional Office of Education #3 uses its business-type net assets to provide workshop and training services to school districts in the Bond, Fayette, and Effingham Counties Educational Service Region and surrounding areas. The decrease in current assets and net assets is due to many workshops being held free-of-charge and below cost in order to continue providing the services to the region.

**General Overview and Analysis of Significant Individual Governmental Funds**

*NON-MAJOR SPECIAL REVENUE FUNDS*

- The Institute Fund is administered by the Regional Office of Education #3 and had a fund balance of \$49,839 which represents a \$9,920 increase above the previous year.
- The General Education Development Fund is administered by the Regional Office of Education #3 and had a fund balance of \$13,549, which represents a \$3,991 increase over the previous year.
- The ROE School Bus Driver Training Fund is administered by the Regional Office of Education #3 and had a fund balance of \$4,181, which represents a \$407 increase over the previous year.
- The Supervisory Fund is administered by the Regional Office of Education #3 and had a fund balance of \$2,568, which represents a \$1,100 increase over the previous year.

*EDUCATION FUND*

- The Technology Fund is administered by the Educational Services Division of the Regional Office of Education #3 and had a fund balance of \$87,463, which represents no change from the previous year.
- The Alternative Education State Aid Fund is administered by the Alternative Education Programs of the Regional Office of Education #3 and had a fund balance of \$74,059, which represents a \$2,510 decrease over the previous year.
- The Truants Alternative/Optional Education Fund is administered by the Alternative Education Programs of the Regional Office of Education #3 and had a fund balance of \$88,876, which represents a \$27,866 increase over the previous year.
- The Regional Safe Schools Fund is administered by the Alternative Education Programs of the Regional Office of Education #3 and had a fund balance of \$22,568, which represents a \$12,007 increase over the previous year.
- The Local Area Network Fund is administered by the Alternative Education Programs of the Regional Office of Education #3 and had a fund balance of \$24,330, which represents no change over the previous year.

*DISTRIBUTIVE FUND*

- The Distributive Fund is administered by the Regional Office of Education #3 and disbursed \$905,270 to Educational Services, the FOCUS School, the Regional Office of Education #3, and The New Approach School. The sources of funds include: General State Aid 18-8, ROE School Bus Driver Training, Truants Alternative/Optional Ed., Regional Safe Schools, Early Childhood Block Grant, ROE/ISC Operations, Supervisory Fund, Title I Reading First Part B SEA, McKinney Education for Homeless Children, State Free Lunch and Breakfast, National School Lunch and School Breakfast and Interest.

**REGIONAL OFFICE OF EDUCATION #3  
BOND, FAYETTE, EFFINGHAM COUNTIES  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006**

**Government-wide Financial Analysis (Continued)**

**Statement of Activities**

The Statement of Activities accounts for all of the current year revenues and expenses regardless of when cash is received or paid.

**STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES**

	2006	2005	Increase / (Decrease)
Revenues:			
Program Revenues:			
Operating grants and contributions	\$ 813,131	\$ 927,307	(114,176)
General Revenues			
Local sources	480,800	368,530	112,270
State sources	343,915	222,664	121,251
On-behalf payments - State	218,781	300,210	(81,429)
Investment earnings	3,493	1,257	2,236
Total Revenues	1,860,120	1,819,968	40,152
Expenses:			
Instructional Services			
Salaries and benefits	941,066	781,269	159,797
Purchased services	502,172	667,787	(165,615)
Supplies and materials	45,661	48,541	(2,880)
Payments to other governments	65,850	-	65,850
Other objects	4,764	3,319	1,445
Depreciation	17,482	23,186	(5,704)
Administrative Expense:			
On-Behalf payments - State	218,781	298,307	(79,526)
Total Expenses	1,795,776	1,822,409	(26,633)
Change in Net Assets	64,344	(2,441)	66,785
Net Assets - Beginning	376,587	379,028	(2,441)
Net Assets - Ending	\$ 440,931	\$ 376,587	64,344

Revenues from governmental activities were \$1,860,120 and expenses were \$1,795,776. The Regional Office of Education #3 received more local revenue in FY06 which increased general revenues. Also, in FY06 more state revenue was classified as general revenue as compared to being classified as program revenue in FY05. The increase in salaries and benefits expense was due to the fact that the Regional

**REGIONAL OFFICE OF EDUCATION #3  
BOND, FAYETTE, EFFINGHAM COUNTIES  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006**

**Government-wide Financial Analysis (Concluded)**

**Statement of Activities (Concluded)**

Office of Education #3's need to provide Alternative Education Program services over the last year has increased and other services provided have required an increase in personnel. Also, the decrease in purchased services partly resulted from reclassifying payments to other governments in FY06. The decrease in on-behalf payments is primarily the result of a decrease in the TRS rate.

**STATEMENT OF ACTIVITIES  
BUSINESS-TYPE ACTIVITIES**

	<u>2006</u>	<u>2005</u>	<u>Increase / (Decrease)</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 23,394	\$ 17,149	6,245
Total Revenues	<u>23,394</u>	<u>17,149</u>	6,245
Expenses:			
Salaries and benefits	59,374	45,948	13,426
Purchased services	16,203	16,868	(665)
Supplies and materials	503	448	55
Other objects	279	865	(586)
Depreciation	510	2,345	(1,835)
Total Expenses	<u>76,869</u>	<u>66,474</u>	10,395
Change in Net Assets	(53,475)	(49,325)	(4,150)
Net Assets - Beginning	<u>207,109</u>	<u>256,434</u>	(49,325)
Net Assets - Ending	<u>\$ 153,634</u>	<u>\$ 207,109</u>	(53,475)

Revenues from business-type activities were \$23,394 and expenses were \$76,869. The Regional Office of Education #3's business-type activities include workshops that involve charges for service. Expenses include salaries and purchases of goods and supplies to support these activities. In FY05 the Regional Office provided workshops to school districts without being fully reimbursed. While the Regional Office was still not fully reimbursed for workshop expenses in FY06 they did receive more reimbursement than in FY05 which increased charges for services. Salaries and benefits increased due to lack of funding in other programs. These two factors combined led to the decrease in ending net assets.

**REGIONAL OFFICE OF EDUCATION #3  
BOND, FAYETTE, EFFINGHAM COUNTIES  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006**

**Financial Analysis of the Regional Office of Education #3's Funds**

The Regional Office of Education #3 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Regional Office of Education #3's governmental funds reported combined fund balances of \$63,935 above last year's ending fund balance of \$349,520. The Regional Office of Education #3's proprietary fund reported net assets of \$53,475 below last year's ending net assets of \$207,109.

**Governmental Fund Highlights**

- The Regional Office of Education #3's Education Fund showed revenue slightly greater than expenses. The Truants Alternative/Optional Education Fund and the Regional Safe Schools Fund had increased balances. This is most likely due to the increase in the General State Aide Formula (GSA) for these two programs.

**Proprietary Fund Highlights**

- The Regional Office of Education #3's business-type activities brought in much less revenue than they expended during FY06. As part of its mission, the Regional Office of Education #3 continues to provide workshop and training services to school districts even during economically challenging times. Many workshops were offered free-of-charge and below cost-recovery in order to meet organizational objectives.

**Budgetary Highlights**

The Regional Office of Education #3 annually adopts a budget on a basis consistent with U.S. generally accepted accounting principles; however, the annual budget is not required to be legally adopted. The Illinois State Board of Education reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the Illinois State Board of Education for final approval. The budget may be amended during the year utilizing procedures prescribed by the Illinois State Board of Education. A schedule showing the original and final budget amounts compared to the Regional Office of Education #3's actual financial activity is included in the supplementary information section of this report.

**Capital Assets**

As of June 30, 2006, the Regional Office of Education #3 had an investment in capital assets of \$34,103, original cost less accumulated depreciation, which consist of a narrow range of capital assets, including computers and audio-visual equipment. In compliance with the auditor's findings for fiscal year 2003, the Regional Office of Education #3 continues to maintain a capital asset inventory from which future comparisons to previous years can be made.

**REGIONAL OFFICE OF EDUCATION #3  
BOND, FAYETTE, EFFINGHAM COUNTIES  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006**

**Factors Bearing on the Regional Office of Education #3's Future**

At the time these financial statements were prepared and audited, the Regional Office of Education #3 was aware of several existing circumstances that could significantly impact its financial health in the future:

- The Regional Office of Education #3 provides programs and services in compliance with statutory, regulatory and mandated requirements from the legislation and the Illinois State Board of Education despite a level of funding from the State that does not keep pace with the increasing cost of providing such programs and services. Consequently, the Regional Office of Education #3 is forced to maintain a limited professional and clerical staff while trying to provide a consistent level of support and services to schools. Additional services are provided when funding allows or when cost-recovery mechanisms can be associated with the services.
- The Regional Office of Education #3 has been able to replace some of its aging computer and audio-visual inventory over the past year due to conservative financial management. The equipment being replaced is subsequently refurbished for use by the alternative education programs, which are also accepting donated computer equipment from other agencies and using open source licensed software programs rather than commercial licensed software programs in an effort to reduce costs. This practice has resulted in an increased number of computers available for student use at little or no expense to any program.
- A limited number of federal and state grant programs help support the Regional Office of Education #3's Educational Services Division. Funding from these grant programs are not assured from year to year. Because of limited availability of funds to other agencies and organizations, there is increased competition for funded grant programs due in part to a reduction in the amount of grant funding available and the similar financial circumstances all entities are experiencing. The future of the Alternative Education Programs and the Educational Services Division (and the programs and services they provide) is directly dependent on their abilities to compete for grant funding.
- The Regional Office of Education #3 operates under conservative fiscal management and will remain productive through the current economic downturn by staying within budgetary limits and by utilizing available resources more effectively. A review of past practices and current operations has led to practical modifications resulting in reduction of expenditures and stable fund balances.

**Contacting the Regional Office of Education #3's Financial Management**

This financial report is designed to provide those citizens and taxpayers who reside within the Bond, Fayette, and Effingham Counties Regional Office of Education #3 boundaries with a general overview of the Regional Office of Education #3's finances and to demonstrate the Regional Office of Education #3's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Regional Office of Education #3, 300 South Seventh Street, Vandalia, IL 62471.



## BASIC FINANCIAL STATEMENTS

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 506,057	\$ 147,007	\$ 653,064
Due from other governments:			
Local	13,942	-	13,942
State	7,764	-	7,764
Federal	9,583	-	9,583
Total Current Assets	<u>537,346</u>	<u>147,007</u>	<u>684,353</u>
Noncurrent Assets:			
Capital assets, being depreciated, net	<u>27,476</u>	<u>6,627</u>	<u>34,103</u>
Total Noncurrent Assets	<u>27,476</u>	<u>6,627</u>	<u>34,103</u>
<b>TOTAL ASSETS</b>	<u>564,822</u>	<u>153,634</u>	<u>718,456</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	24,188	-	24,188
Accrued payroll and employee benefits	32,534	-	32,534
Due to other governments:			
State	24	-	24
Deferred revenue	<u>67,145</u>	<u>-</u>	<u>67,145</u>
Total Current Liabilities	<u>123,891</u>	<u>-</u>	<u>123,891</u>
<b>TOTAL LIABILITIES</b>	<u>123,891</u>	<u>-</u>	<u>123,891</u>
<b>NET ASSETS</b>			
Invested in capital assets	27,476	6,627	34,103
Unrestricted	363,616	147,007	510,623
Restricted for teacher professional development	<u>49,839</u>	<u>-</u>	<u>49,839</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 440,931</u>	<u>\$ 153,634</u>	<u>\$ 594,565</u>

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

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
Instructional services:						
Salaries and benefits	\$ 941,066	\$ -	\$ 451,316	\$ (489,750)	\$ -	\$ (489,750)
Purchased services	502,172	-	249,607	(252,565)	-	(252,565)
Supplies and materials	45,661	-	26,490	(19,171)	-	(19,171)
Capital outlay	-	-	17,891	17,891	-	17,891
Payments to other governments	65,850	-	65,850	-	-	-
Other objects	4,764	-	1,977	(2,787)	-	(2,787)
Depreciation	17,482	-	-	(17,482)	-	(17,482)
Administrative:						
On-behalf payments - State	218,781	-	-	(218,781)	-	(218,781)
Total governmental activities	<u>1,795,776</u>	<u>-</u>	<u>813,131</u>	<u>(982,645)</u>	<u>-</u>	<u>(982,645)</u>
Business-type activities:						
Other	76,359	23,394	-	-	(52,965)	(52,965)
Depreciation	510	-	-	-	(510)	(510)
Total business-type activities	<u>76,869</u>	<u>23,394</u>	<u>-</u>	<u>-</u>	<u>(53,475)</u>	<u>(53,475)</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 1,872,645</u>	<u>\$ 23,394</u>	<u>\$ 813,131</u>	<u>(982,645)</u>	<u>(53,475)</u>	<u>(1,036,120)</u>
<b>GENERAL REVENUES:</b>						
Local sources				480,800	-	480,800
State sources				343,915	-	343,915
On-behalf payments - State				218,781	-	218,781
Investment earnings				3,493	-	3,493
Total general revenues				<u>1,046,989</u>	<u>-</u>	<u>1,046,989</u>
<b>CHANGE IN NET ASSETS</b>				<u>64,344</u>	<u>(53,475)</u>	<u>10,869</u>
<b>NET ASSETS - BEGINNING</b>				<u>376,587</u>	<u>207,109</u>	<u>583,696</u>
<b>NET ASSETS - ENDING</b>				<u>\$ 440,931</u>	<u>\$ 153,634</u>	<u>\$ 594,565</u>

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

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	General Fund	Education Fund	Other Non-Major Funds	Eliminations	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 114,026	\$ 321,894	\$ 70,137	\$ -	\$ 506,057
Due from other funds	-	13,258	-	(13,258)	-
Due from other governments:					
Local	5,345	8,597	-	-	13,942
State	-	7,764	-	-	7,764
Federal	-	9,583	-	-	9,583
<b>TOTAL ASSETS</b>	<b>\$ 119,371</b>	<b>\$ 361,096</b>	<b>\$ 70,137</b>	<b>\$ (13,258)</b>	<b>\$ 537,346</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 24,188	\$ -	\$ -	\$ -	\$ 24,188
Accrued payroll and employee benefits	-	32,534	-	-	32,534
Due to other funds	-	13,258	-	(13,258)	-
Due to other governments:					
State	-	24	-	-	24
Deferred revenue	64,157	2,988	-	-	67,145
<b>Total liabilities</b>	<b>88,345</b>	<b>48,804</b>	<b>-</b>	<b>(13,258)</b>	<b>123,891</b>
<b>Fund balances:</b>					
<b>Unreserved, reported in:</b>					
General fund	31,026	-	-	-	31,026
Special revenue funds	-	312,292	70,137	-	382,429
<b>Total fund balances</b>	<b>31,026</b>	<b>312,292</b>	<b>70,137</b>	<b>-</b>	<b>413,455</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 119,371</b>	<b>\$ 361,096</b>	<b>\$ 70,137</b>	<b>\$ (13,258)</b>	<b>\$ 537,346</b>

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

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 413,455

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. 27,476

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 440,931

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

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Education Fund	Other Non-Major Funds	Total Governmental Funds
<b>REVENUES</b>				
Local sources	\$ 293,709	\$ 147,577	\$ 39,514	\$ 480,800
State sources	61,187	712,213	18,781	792,181
Federal sources	-	364,865	-	364,865
On-behalf payments - State	218,781	-	-	218,781
Total Revenues	<u>573,677</u>	<u>1,224,655</u>	<u>58,295</u>	<u>1,856,627</u>
<b>EXPENDITURES</b>				
Current:				
Instructional Services				
Salaries and benefits	204,660	723,130	13,276	941,066
Purchased services	128,730	348,845	24,597	502,172
Supplies and materials	9,040	32,737	3,884	45,661
Capital outlay	6,043	10,755	1,093	17,891
Payments to other governments	-	65,850	-	65,850
Other objects	285	4,452	27	4,764
On-behalf payments - State	218,781	-	-	218,781
Total Expenditures	<u>567,539</u>	<u>1,185,769</u>	<u>42,877</u>	<u>1,796,185</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>6,138</u>	<u>38,886</u>	<u>15,418</u>	<u>60,442</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interest	2,262	1,231	-	3,493
Net Other Sources and Uses of Financing Resources	<u>2,262</u>	<u>1,231</u>	<u>-</u>	<u>3,493</u>
<b>NET CHANGE IN FUND BALANCES</b>	8,400	40,117	15,418	63,935
<b>FUND BALANCES - BEGINNING</b>	<u>22,626</u>	<u>272,175</u>	<u>54,719</u>	<u>349,520</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 31,026</u>	<u>\$ 312,292</u>	<u>\$ 70,137</u>	<u>\$ 413,455</u>

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

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006

NET CHANGE IN FUND BALANCES \$ 63,935

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

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

Capital outlay	\$ 17,891	
Depreciation expense	<u>(17,482)</u>	<u>409</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 64,344

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

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2006

	<u>Business-Type Activities - Enterprise Fund</u>	
	<u>Local</u>	<u>Totals</u>
	<u>Workshops</u>	
<b>ASSETS</b>		
Current assets:		
Cash	\$ 147,007	\$ 147,007
Total current assets	<u>147,007</u>	<u>147,007</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation, where applicable:		
Equipment, net	<u>6,627</u>	<u>6,627</u>
Capital assets, net	<u>6,627</u>	<u>6,627</u>
Total noncurrent assets	<u>6,627</u>	<u>6,627</u>
TOTAL ASSETS	<u>153,634</u>	<u>153,634</u>
<b>NET ASSETS</b>		
Invested in capital assets	6,627	6,627
Unrestricted	<u>147,007</u>	<u>147,007</u>
TOTAL NET ASSETS	<u>\$ 153,634</u>	<u>\$ 153,634</u>

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



BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2006

	Business-Type Activities— <u>Enterprise Fund</u> Local <u>Workshops</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>		
Local sources	\$ 23,394	\$ 23,394
Total Operating Revenues	<u>23,394</u>	<u>23,394</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	59,374	59,374
Purchased services	16,203	16,203
Supplies and materials	503	503
Other objects	279	279
Depreciation	510	510
Total Operating Expenses	<u>76,869</u>	<u>76,869</u>
<b>OPERATING INCOME (LOSS)</b>	(53,475)	(53,475)
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>207,109</u>	<u>207,109</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 153,634</u>	<u>\$ 153,634</u>

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

BOND, FAYETTE, EFFINGHAM REGIONAL OFFICE OF EDUCATION #3  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Business-Type Activities— Enterprise Fund</u>	
	<u>Local Workshops</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 23,394	\$ 23,394
Payments to suppliers and providers of goods and services	(16,985)	(16,985)
Payments to employees	<u>(59,374)</u>	<u>(59,374)</u>
Net Cash Provided By (Used for) Operating Activities	<u>(52,965)</u>	<u>(52,965)</u>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(52,965)	(52,965)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>199,972</u>	<u>199,972</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u><u>\$ 147,007</u></u>	<u><u>\$ 147,007</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Operating (loss)	\$ (53,475)	\$ (53,475)
Adjustments to reconcile operating (loss) to net cash provided by (used for) operating activities:		
Depreciation	<u>510</u>	<u>510</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u><u>\$ (52,965)</u></u>	<u><u>\$ (52,965)</u></u>

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

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 599</u>
 TOTAL ASSETS	 <u><u>\$ 599</u></u>
LIABILITIES	
Due to other governments	<u>\$ 599</u>
 TOTAL LIABILITIES	 <u><u>\$ 599</u></u>

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

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bond, Fayette, Effingham Counties Regional Office of Education #3 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

In 2006, the Regional Office of Education #3 implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section, an Amendment of NCGA Statement 1*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an Amendment of GASB No. 34 and GASB No. 47, *Accounting for Termination Benefits*. The Regional Office of Education #3 implemented these standards during the current year, however; they do not have a significant impact on the financial statements.

GASB Statement No. 34 established a financial reporting model for State and local governments that included the addition of Management's Discussion and Analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

A. FINANCIAL REPORTING ENTITY

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

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Bond, Fayette, Effingham Counties Regional Office of Education #3's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions; and to carry out other related duties required or permitted by law.

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

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

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

A. FINANCIAL REPORTING ENTITY, (Concluded)

For the period ended June 30, 2006, the Bond, Fayette, Effingham Counties Regional Office of Education #3 applied for, received, and administered numerous State and Federal programs and grants in assistance and support of the educational activities of the school districts in Bond, Fayette, and Effingham Counties Regional Office of Education #3. Such activities are reported as a single major special revenue fund (Education Fund).

B. SCOPE OF THE REPORTING ENTITY

The Bond, Fayette, Effingham Counties Regional Office of Education #3 reporting entity includes all related organizations for which they exercise oversight responsibility.

The Bond, Fayette, Effingham Counties Regional Office of Education #3 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the Bond, Fayette, Effingham Counties Regional Office of Education #3, including districts or joint agreements which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the Bond, Fayette, Effingham Counties Regional Office of Education #3 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The districts and joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the Bond, Fayette, Effingham Counties Regional Office of Education #3 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Bond, Fayette, Effingham Counties Regional Office of Education #3 is not aware of any entity, which would exercise such oversight as to result in the Bond, Fayette, Effingham Counties Regional Office of Education #3 being considered a component unit of the entity.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Bond-Fayette-Effingham Counties Regional Office of Education #3's activities with most of the interfund activities removed. Governmental activities include programs supported primarily by State and Federal grants and other intergovernmental revenues. The Bond-Fayette-Effingham Counties Regional Office of Education #3 has one business-type activity that relies on fees and charges for support.

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Concluded)

The Bond-Fayette-Effingham Counties Regional Office of Education #3's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Bond-Fayette-Effingham Counties Regional Office of Education #3 accompanied by a total column. These statements are presented on an "economic resources" measurement as prescribed by GASB Statement No. 34. All of the Bond-Fayette-Effingham Counties Regional Office of Education #3's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Assets. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function.

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, such as, payables, receivables and transfers. Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the governmental funds Balance Sheet and proprietary fund Statement of Net Assets and as other resources and other uses on the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and on the proprietary fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and business-type funds remain as due to/due from on the government-wide financial statements. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

D. PROPRIETARY FUND FINANCIAL STATEMENTS

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

D. PROPRIETARY FUND FINANCIAL STATEMENTS (Concluded)

accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

E. GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

The governmental fund financial statements have been prepared in accordance with generally accepted accounting principles on the modified accrual basis. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for prepaid expenses, and other long-term obligations, which are recognized when paid.

F. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING, (Concluded)

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Bond-Fayette-Effingham Counties Regional Office of Education #3; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

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

Under the provision of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Regional Office of Education applies all GASB pronouncements and has elected to apply only the pronouncements issued on or before November 30, 1989 for the following: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

G. FUND ACCOUNTING

The Bond-Fayette-Effingham Counties Regional Office of Education #3 uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Bond-Fayette-Effingham Counties Regional Office of Education #3 uses governmental, proprietary, and fiduciary funds.

GOVERNMENTAL FUNDS

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

As prescribed by GASB Statement No. 34, governmental fund reporting focuses on the major funds, rather than on the fund type. There is a two-step process for determining if a fund should be reported as a major fund: 1) total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for the fund type, and 2) total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual



BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

GOVERNMENTAL FUNDS, (Continued)

fund are at least 5% of the corresponding total for the total of all governmental and proprietary funds combined. Funds that do not meet the major fund determination requirements are reported in aggregate as nonmajor funds. The Bond-Fayette-Effingham Counties Regional Office of Education #3 has presented all major funds that met the above qualifications.

The Bond-Fayette-Effingham Counties Regional Office of Education #3 reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Regional Office of Education #3. It is used to account for the expenditures, which benefit all school districts in the region except those required to be accounted for in other funds. General Funds include the following:

General - This fund provides funding for expenditures incurred in order to operate the Regional Office of Education #3.

ROE/ISC Operation – This fund accounts for comprehensive services to improve education in the region in the areas of gifted, staff development, administrator academies, school improvement, and technology.

County – The fund accounts for the shared expenses incurred in the operation of the Regional Superintendent's office.

EIU – This fund provides the opportunity for teachers and administrators to earn graduate credit through participation in weekend classes in programs leading to advanced degrees. Programs currently offered include a Masters Degree in Guidance and Counseling and a Masters or Specialist Degree in School Administration from EIU.

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

Technology - This program supports the technology services and technology engaged learning and integration training.

Early Childhood - This program provides support that allows qualified early childhood educators to provide in home and group assistance to families with at risk children of birth to five years of age to prepare for learning when they become school age.

Attendance Officer - This program provides funding for a truant officer which is utilized to pay for related truancy expenses.

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

GOVERNMENTAL FUNDS, (Continued)

Title I - Reading First Part B SEA - This program provides support for the Reading First Reading Academies that focus training on the best practices in reading and are targeted to the K-2 teachers.

Illinois Family Violence Coordinating Council - This program provides support for coordination of committees whose members focus on identifying and reducing incidences of domestic violence.

Regional System of Support Provider - This is an Area V grant through ROE #50 which is provided to support school improvement services and trainings for the school(s) in the region on the academic warning list which did not meet AYP for 2 years in a row. This grant also supports Regional Office of Education staff member's involvement in the Area V services and in necessary training of trainer's sessions.

Standards Aligned Classroom - This program provides funding for consultants to assist teachers of participating schools in developing learning teams that studied assessment literacy.

Cooperative Curriculum - This program accounts for local receipts from participating districts that are used to pay for joint events.

Educational Sanctions By Probation - This program accounts for the reimbursement of expenses provided for the Safe School located at Effingham County Probation.

Alternative Education State Aid - This program accounts for the general State aid generated by student attendance at the New Approach Alternative School and is used for expenses related to services provided to students.

Truants Alternative/Optional Education - This program provides funding for services designed to prevent students from dropping out of school.

Adult Education & Family Literacy - This program provides funding to assist students in the completion of a secondary education.

Regional Safe School - This program provides funding for an alternative school program for disruptive youth in grades 6-9 whom have been removed from the regular school setting due to continuous disruptions in the classroom.

Local Area Network - This program accounts for receipts from a contractual agreement with the Regional Office of Education #2 used to match specific needs of individual students with appropriate support services.

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

GOVERNMENTAL FUNDS, (Concluded)

McKinney Education for Homeless Children - This program provides training and technical assistance to school districts in the 16 counties to assist school officials in understanding and complying with the McKinney-Vento Act.

Asthma Athletes and Asthma Education Initiative – This program is designed to help schools implement a system to provide useful information about managing asthma to coaches and physical education teachers.

ASPIRE – South – This program provides assistance in implementing early intervention programs through a three tier problem solving model.

The Bond-Fayette-Effingham Counties Regional Office of Education #3 reports the following nonmajor governmental funds:

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

Institute - This fund accounts for teacher certificate registration, issuance and evaluation fees for processing certificates, and expenses to promote the professional growth of teachers and school personnel. All funds generated remain restricted until expended only on the aforementioned activities.

General Education Development - This fund accounts for the receipts and expenses pertaining to the G.E.D./High School Equivalency program for high school dropouts.

ROE School Bus Driver Training - This fund accounts for State and local receipts and expenses designed for initial and refresher courses of instruction for school bus drivers.

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

PROPRIETARY FUND

Proprietary funds are those in which revenues and expenses related to services provided to organizations inside the Bond-Fayette-Effingham Counties Regional Office of Education #3 on a cost reimbursement basis are reported. The Bond-Fayette-Effingham Counties Regional Office of Education #3 reports its Local Workshops Fund as a major proprietary fund. The local workshop is used to account for the workshop fees and expenses of the Bond, Fayette, Effingham Counties Regional Office of Education #3.

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

FIDUCIARY FUND

Agency Funds - Agency Funds are used to account for assets held by the Bond-Fayette-Effingham Counties Regional Office of Education #3 in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Distributive Fund is the Bond-Fayette-Effingham Counties Regional Office of Education #3's only agency fund.

Distributive Fund - This fund distributes monies received from the State out to the school districts and other entities.

Interest on Distributive Fund - Interest on Distributive Fund is transferred at least semi-annually to recipients.

H. NET ASSETS

Net assets present the difference between assets and liabilities in the Statement of Net Assets. Net assets are reported as restricted when there are legal limitations imposed on their use by legislation or external restrictions by grantors, laws or regulations of other governments.

I. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash on deposit. The Bond-Fayette-Effingham Counties Regional Office of Education #3 considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

J. INVENTORY

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

K. CAPITAL ASSETS

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

Office Equipment and Furniture	5-10 years
Computer Equipment	3-5 years
Other Equipment	5-20 years

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Concluded)

L. COMPENSATED ABSENCES

Non-certified and certified employees who work 12 calendar months earn up to 20 vacation days for a full year of service. The accumulated total of vacation days may never exceed 30 days. In the event that a program terminates, no vacation days will be honored past the ending date of the program. Certified employees who work less than 12 calendar months per year do not earn vacation days. Employees receive up to 12 sick days annually and the unused portion is accumulated up to 180 days and carried forward. Employee sick leave is recorded when paid. Upon termination, employees do not receive any accumulated sick leave pay, and therefore, no liability is accrued.

M. ESTIMATES

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

N. BUDGET INFORMATION

The Bond-Fayette-Effingham Counties Regional Office of Education #3 acts as the administrative agent for certain grant programs that are accounted in the General and Education Fund. Certain programs have separate budgets and are required to report to the Illinois State Board of Education; however, none of the annual budgets are required to be or have been legally adopted. The General Fund and certain programs within the Special Revenue Fund do not have separate budgets. Comparisons of budgeted and actual results are presented as supplemental information. Budget information has been provided in supplementary schedules for the following funds: ROE/ISC Operations, County, Early Childhood 3705-00, Early Childhood 3705-01, Illinois Family Violence Coordinating Council, Educational Sanctions by Probation, Truants Alternative/Optional Education, Adult Education & Family Literacy, Regional Safe Schools, Local Area Network, McKinney Education for Homeless Children, and Asthma Athletes and Asthma Education Initiative.

NOTE 2 – CASH

The Bond-Fayette-Effingham Counties Regional Office of Education #3 is allowed to invest in securities as authorized by 30 ILCS-235/2 and 6 and 105 ILCS-5/8-7.

A. DEPOSITS

At June 30, 2006, the carrying amount of the Bond-Fayette-Effingham Counties Regional Office of Education #3's government-wide and Agency fund deposits were \$653,064 and \$599, respectively, and the bank balances were \$703,426 and \$599, respectively. Of the total bank balances as of June 30, 2006, \$196,716 was secured by federal depository insurance and \$507,068 was collateralized with securities held by the pledging financial institution's trust department in the Regional Office of Education #3's name.

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 2 – CASH, (Concluded)

B. INVESTMENTS

The Regional Office of Education #3 does not have a formal investment policy, as its only investments are internally pooled in the Illinois Funds Money Market Fund. As of June 30, 2006, the Regional Office of Education #3 had investments with carrying and fair values of \$251 invested in the Illinois Funds Money Market Fund.

CREDIT RISK

At June 30, 2006, the Illinois Funds Money Market Fund had a Standard and Poor's AAAM rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provision of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

INTEREST RATE RISK

The Illinois Funds Money Market Fund, created by the Illinois General Assembly, enables custodians of public funds an investment option with a competitive rate of return on fully collateralized investments and immediate access to the funds. The investment policy of the Illinois Funds Money Market Funds states that, unless authorized specifically by the Treasurer, a minimum of 75% of its investments shall have less than one-year maturity and no investment shall exceed two years maturity.

CONCENTRATION OF CREDIT RISK

Unless specifically authorized by the Treasurer, the Illinois Funds Money Market Fund's investment policy limits investment categories to not exceed 25% of the portfolio with the exception of cash equivalents and U.S. Treasury securities. Further certificates of deposit cannot exceed 10% of any single financial institution's total deposits.

NOTE 3 - DEFINED BENEFIT PENSION PLAN

The Bond, Fayette, Effingham Counties Regional Office of Education #3's defined benefit pension plan, Illinois Municipal Retirement (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF is an agent multiple-employer plan that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

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](http://www.imrf.org/pubs/pubs_homepage.htm) or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2006

NOTE 3 - DEFINED BENEFIT PENSION PLAN, (Concluded)

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by State statute. The Bond, Fayette, Effingham Counties Regional Office of Education #3 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2005 was 7.39 percent of payroll. The Bond, Fayette, Effingham Counties Regional Office of Education #3 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 Bond, Fayette, Effingham Counties Regional Office of Education #3's annual pension cost of \$40,432 was equal to the Bond, Fayette, Effingham Counties Regional Office of Education #3's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% 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.

A. TREND INFORMATION

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
12/31/05	40,432	100%	\$0
12/31/04	37,136	100%	0
12/31/03	19,150	100%	0
12/31/02	23,968	100%	0
12/31/01	53,864	100%	0
12/31/00	53,572	100%	0
12/31/99	61,162	100%	0
12/31/98	41,055	100%	0
12/31/97	15,015	100%	0
12/31/96	7,663	100%	0

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 4 - TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

The Bond, Fayette, Effingham Counties Regional Office of Education #3 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 funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

TRS members include all active non-annuitants who are employed by 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 the employer, are submitted to TRS by the employer. In addition, virtually all employers and members pay a contribution to the Teacher's 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 Bond, Fayette, Effingham Counties Regional Office of Education #3's TRS-covered employees.

- **On behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the Bond, Fayette, Effingham Counties Regional Office of Education #3. For the year ended June 30, 2006, State of Illinois contributions were based on 7.06 percent of creditable earnings, and the Bond, Fayette, Effingham Counties Regional Office of Education #3 recognized revenue and expenditures of \$22,821 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 (\$33,475) and 13.98 percent (\$43,655) respectively.

The Bond, Fayette, Effingham Counties Regional Office of Education #3 makes 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 \$1,875. Contributions for the years ending June 30, 2005 and June 30, 2004, were \$1,651 and \$1,811, respectively.
- **Federal and trust fund contributions.** When TRS members are paid from federal and trust funds administered by the Bond, Fayette, Effingham Counties Regional Office of Education #3, there is a statutory requirement for the Bond, Fayette, Effingham Counties Regional Office of Education #3 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.



BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 4 - TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS, (Concluded)

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 \$16,335 were paid from federal and trust funds that required employer contributions of \$1,153. For the years ended June 30, 2005 and June 30, 2004, required Bond, Fayette, Effingham Counties Regional Office of Education #3 contributions were \$1,252 and \$3,244, respectively.

- **Early Retirement Option.** The Bond, Fayette, Effingham Counties Regional Office of Education #3 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 Bond-Fayette-Effingham Counties Regional Office of Education #3 paid no employer contributions to TRS under the Pipeline ERO and Modified ERO programs. For the years ended June 30, 2005 and June 30, 2004, the Bond-Fayette-Effingham Counties Regional Office of Education #3 paid no 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 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, PO Box 19253, 2815 West Washington Street, Springfield, Illinois 62794-9253. The most current report is also available on the TRS Web site at [trs.illinois.gov](http://trs.illinois.gov).

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2006

NOTE 5 - INTERFUND ACTIVITY

DUE TO/FROM OTHER FUNDS

Interfund due to/from other fund balances at June 30, 2006 consist of the following individual due to/from other funds in the governmental fund balance sheet. These balances were eliminated in the government-wide Statement of Net Assets.

Due To	Due From	Amount
Early Childhood	Technology	\$ 1,332
Regional System of Support Providers	Technology	6,130
Standards Aligned Classroom	Technology	3,687
ASPIRE South	Technology	2,109
		\$ 13,258

TRANSFERS

There were no interfund transfers to/from other fund balances at June 30, 2006.

NOTE 6 - CAPITAL ASSET ACTIVITY

In accordance with GASB Statement No. 34, the Bond-Fayette-Effingham Counties Regional Office of Education #3 has reported capital assets in the government-wide Statement of Net Assets. Purchases are reported as capital outlay in the governmental fund statements. Purchases of business-type activities are capitalized when purchased. The following table provides a summary of changes in total assets, accumulated depreciation, and investment in capital assets for the year ended June 30, 2006:

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2006

NOTE 6 - CAPITAL ASSET ACTIVITY, (Continued)

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<u>Governmental Activities</u>				
General Funds:				
General	\$ 3,453	\$ 1,451	\$ -	\$ 4,904
ROE/ISC Operations	48,164	1,971	-	50,135
County	5,058	2,621	-	7,679
Total for General Funds	<u>56,675</u>	<u>6,043</u>	<u>-</u>	<u>62,718</u>
Education Funds:				
Scientific Literacy	27,557	-	-	27,557
Technology	21,089	-	-	21,089
Early Childhood	789	-	-	789
Safe To Learn	2,624	-	-	2,624
Title I - Reading First Part B SEA	4,672	-	-	4,672
Kaskaskia Area Partnership	3,692	-	-	3,692
Truants Alternative/Optional Education	66,529	-	-	66,529
Adult Education & Family Literacy	3,112	1,886	-	4,998
Regional Safe School	43,449	3,526	-	46,975
Local Area Network	-	732	-	732
McKinney Education for Homeless Children	9,121	4,611	-	13,732
ROE State Grant	3,673	-	-	3,673
Tobacco	987	-	-	987
Total Education Funds	<u>187,294</u>	<u>10,755</u>	<u>-</u>	<u>198,049</u>
Nonmajor Special Revenue Funds:				
Institute	-	1,093	-	1,093
Total for Nonmajor Special Revenue Funds	<u>-</u>	<u>1,093</u>	<u>-</u>	<u>1,093</u>
Governmental Funds				
Total Capital Assets	243,969	17,891	-	261,860
Less: Accumulated Depreciation	<u>216,902</u>	<u>17,482</u>	<u>-</u>	<u>234,384</u>
Governmental Funds Investment in Capital Assets, Net	<u>\$ 27,067</u>	<u>\$ 409</u>	<u>\$ -</u>	<u>\$ 27,476</u>
Business-Type Activities				
ROE Local	<u>\$ 50,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,747</u>
Business-type Activities				
Total Capital Assets	50,747	-	-	50,747
Less: Accumulated Depreciation	<u>43,610</u>	<u>510</u>	<u>-</u>	<u>44,120</u>
Investment in Capital Assets, Net	<u>\$ 7,137</u>	<u>\$ (510)</u>	<u>\$ -</u>	<u>\$ 6,627</u>

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2006

NOTE 6 - CAPITAL ASSET ACTIVITY, (Concluded)

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2006 of \$17,482 and \$510 was charged to the governmental activities and business-type activities, respectively, on the government-wide Statement of Activities. Investment in capital assets is the component of net assets that reports capital assets net of accumulated depreciation.

NOTE 7 - RISK MANAGEMENT

The Bond-Fayette-Effingham Counties Regional Office of Education #3 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Bond-Fayette-Effingham Counties Regional Office of Education #3 has purchased commercial insurance to cover these risks. No losses have been incurred in excess of the amounts covered by insurance over the past three years.

NOTE 8 – ON BEHALF PAYMENTS

The State of Illinois paid the following salaries on behalf of the Bond-Fayette-Effingham Counties Regional Office of Education #3:

Regional Superintendent Salary	\$ 84,737
Regional Superintendent Benefits	
(Includes State paid insurance)	18,459
Assistant Regional Superintendent Salary	76,263
Assistant Regional Superintendent Benefits	
(Includes State paid insurance)	16,501
TRS Pension Contributions	<u>22,821</u>
 Total	 <u>\$218,781</u>

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

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

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2006

NOTE 9 - DUE TO/FROM OTHER GOVERNMENTS

The Bond-Fayette-Effingham Counties Regional Office of Education #3's General Fund, Education Fund, Agency Fund and various grant programs have funds due from various other governmental units which consist of the following:

Due from Other Governments:

General Fund

Local Governments	\$ 5,345
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Education Fund

Local Governments	8,597
Illinois State Board of Education	5,421
Regional Office of Education #50	6,130
Regional Office of Education #11	3,687
Southern Illinois University-Edwardsville	<u>2,109</u>
Total	<u>\$ 31,289</u>

Due to Other Governments

Education Fund:

Illinois State Board of Education	\$ 24
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Agency Fund

Distributive Fund	<u>599</u>
Total	<u>\$ 623</u>

NOTE 10 - OPERATING LEASE

The Bond-Fayette-Effingham Counties Regional Office of Education #3 has entered into an annual operating lease through June 30, 2006 for its Alternative Education Programs to provide classroom space for the Focus and New Approach Schools and office space for grant programs. Rent expense for 2006 totaled \$42,000.

**REQUIRED SUPPLEMENTAL INFORMATION**  
**(Other than Management Discussion and Analysis)**

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
ILLINOIS MUNICIPAL RETIREMENT FUND  
SCHEDULE OF FUNDING PROGRESS  
(UNAUDITED)  
JUNE 30, 2006

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	775,839	762,148	(13,691)	101.80%	547,120	0.00%
12/31/04	665,643	678,244	12,601	98.14%	497,131	2.53%
12/31/03	623,656	593,361	(30,295)	105.11%	471,671	0.00%
12/31/02	564,345	519,393	(44,952)	108.65%	492,158	0.00%
12/31/01	557,967	439,148	(118,819)	127.06%	504,821	0.00%
12/31/00	466,303	399,147	(67,156)	116.82%	420,832	0.00%
12/31/99	386,223	414,646	28,423	93.15%	370,008	7.68%
12/31/98	265,460	317,522	52,062	83.60%	305,927	17.02%
12/31/97	186,298	249,751	63,453	74.59%	258,619	24.54%
12/31/96	144,232	179,282	35,050	80.45%	187,427	18.70%

On a market value basis, the actuarial value of assets as of December 31, 2005 is \$783,334. On a market basis, the funded ratio would be 102.78%.

\* Digest of changes

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

The principal changes were:

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

**SUPPLEMENTARY INFORMATION**



BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 COMBINING SCHEDULE OF ACCOUNTS  
 GENERAL FUND  
 JUNE 30, 2006

	General	ROE/ISC Operations	County	EIU	TOTALS
<b>Assets</b>					
Cash	\$ 21,855	\$ -	\$ 64,157	\$ 28,014	\$ 114,026
Due from other governments	-	-	5,345	-	5,345
<b>Total Assets</b>	<b>\$ 21,855</b>	<b>\$ -</b>	<b>\$ 69,502</b>	<b>\$ 28,014</b>	<b>\$ 119,371</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 24,188	\$ 24,188
Deferred Revenue	-	-	64,157	-	64,157
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>64,157</b>	<b>24,188</b>	<b>88,345</b>
<b>Fund Balances</b>					
Unreserved	21,855	-	5,345	3,826	31,026
<b>Total Fund Balances</b>	<b>21,855</b>	<b>-</b>	<b>5,345</b>	<b>3,826</b>	<b>31,026</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 21,855</b>	<b>\$ -</b>	<b>\$ 69,502</b>	<b>\$ 28,014</b>	<b>\$ 119,371</b>

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GENERAL FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2006

	General	ROE/ISC Operations	County	EIU	TOTALS
<b>Revenues</b>					
Local sources	\$ 18,409	\$ -	\$ 181,656	\$ 93,644	\$ 293,709
State sources	-	61,187	-	-	61,187
On-behalf payments -State	218,781	-	-	-	218,781
<b>Total Revenues</b>	<b>237,190</b>	<b>61,187</b>	<b>181,656</b>	<b>93,644</b>	<b>573,677</b>
<b>Expenditures</b>					
Salaries and benefits	16,119	41,772	143,646	3,123	204,660
Purchased services	3,537	12,911	25,877	86,405	128,730
Supplies and materials	335	4,248	4,167	290	9,040
Capital outlay	1,451	1,971	2,621	-	6,043
Other objects	-	285	-	-	285
On-behalf payments -State	218,781	-	-	-	218,781
<b>Total Expenditures</b>	<b>240,223</b>	<b>61,187</b>	<b>176,311</b>	<b>89,818</b>	<b>567,539</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(3,033)</b>	<b>-</b>	<b>5,345</b>	<b>3,826</b>	<b>6,138</b>
<b>Other Financing Sources (Uses)</b>					
Interest	2,262	-	-	-	2,262
<b>Total Other Financing Sources (Uses)</b>	<b>2,262</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,262</b>
<b>Net Change in Fund Balances</b>	<b>(771)</b>	<b>-</b>	<b>5,345</b>	<b>3,826</b>	<b>8,400</b>
<b>Fund Balance - Beginning</b>	<b>22,626</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,626</b>
<b>Fund Balance - Ending</b>	<b>\$ 21,855</b>	<b>\$ -</b>	<b>\$ 5,345</b>	<b>\$ 3,826</b>	<b>\$ 31,026</b>

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 BUDGETARY COMPARISON SCHEDULE  
 (For the Period of July 1, 2005 to June 30, 2006)  
 GENERAL FUND ACCOUNTS  
 ROE/ISC OPERATIONS  
 FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUES</b>			
State sources	\$ 61,188	\$ 61,187	\$ 61,187
Total Revenue	61,188	61,187	61,187
<b>EXPENDITURES</b>			
Current:			
Salaries and benefits	42,208	42,208	41,772
Purchased services	12,580	12,580	12,911
Supplies and materials	3,900	3,899	4,248
Capital Outlay	2,000	2,000	1,971
Other objects	500	500	285
Total Expenditures	61,188	61,187	61,187
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	-	-	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ -

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 BUDGETARY COMPARISON SCHEDULE  
 (For the Period of December 1, 2004 to November 30, 2005, and December 1, 2005 to November 30, 2006)  
 GENERAL FUND ACCOUNTS  
 COUNTY  
 FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts				Actual Amounts
	Original		Final		
	12/1/04 to 11/30/05	12/1/05 to 11/30/06	12/1/04 to 11/30/05	12/1/05 to 11/30/06	
<b>REVENUES</b>					
Local sources	\$ 162,670	\$ 169,760	\$ 162,670	\$ 169,760	\$ 181,656
Total revenues	162,670	169,760	162,670	169,760	181,656
<b>EXPENDITURES</b>					
Current:					
Salaries and benefits	118,135	122,575	118,135	122,575	143,646
Purchased services	37,535	40,085	37,535	40,085	25,877
Supplies and materials	3,500	3,600	3,500	3,600	4,167
Capital outlay	3,500	3,500	3,500	3,500	2,621
Total Expenditures	162,670	169,760	162,670	169,760	176,311
NET CHANGE IN FUND BALANCE	-	-	-	-	5,345
FUND BALANCE - BEGINNING	-	-	-	-	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ -	\$ -	\$ 5,345

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 COMBINING SCHEDULE OF ACCOUNTS  
 EDUCATION FUND  
 JUNE 30, 2006

	Technology	Early Childhood	Attendance Officer	Title I - Reading First Part B SEA	Illinois Family Violence Coordinating Council	Regional System of Support Provider
<b>ASSETS</b>						
Cash	\$ 74,205	\$ -	\$ 3,617	\$ -	\$ 6,648	\$ -
Due from other funds	13,258	-	-	-	-	-
Due from other governments	-	1,332	-	-	-	6,130
<b>TOTAL ASSETS</b>	<b>\$ 87,463</b>	<b>\$ 1,332</b>	<b>\$ 3,617</b>	<b>\$ -</b>	<b>\$ 6,648</b>	<b>\$ 6,130</b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Accrued payroll and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	1,332	-	-	-	6,130
Due to other governments	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>1,332</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,130</b>
<b>FUND BALANCES</b>						
Unreserved	87,463	-	3,617	-	6,648	-
<b>Total Fund Balance</b>	<b>87,463</b>	<b>-</b>	<b>3,617</b>	<b>-</b>	<b>6,648</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 87,463</b>	<b>\$ 1,332</b>	<b>\$ 3,617</b>	<b>\$ -</b>	<b>\$ 6,648</b>	<b>\$ 6,130</b>

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 COMBINING SCHEDULE OF ACCOUNTS  
 EDUCATION FUND  
 JUNE 30, 2006

	Standards Aligned Classroom	Cooperative Curriculum	Educational Sanctions by Probation	Alternative Education State Aid	Truants Alternative / Optional Education	Adult Education & Family Literacy
<b>ASSETS</b>						
Cash	\$ -	\$ 4,731	\$ 2,883	\$ 74,059	\$ 98,048	\$ 5,536
Due from other funds	-	-	-	-	-	-
Due from other governments	3,687	-	-	-	4,089	-
<b>TOTAL ASSETS</b>	<b>\$ 3,687</b>	<b>\$ 4,731</b>	<b>\$ 2,883</b>	<b>\$ 74,059</b>	<b>\$ 102,137</b>	<b>\$ 5,536</b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Accrued payroll and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ 13,261	\$ 5,536
Due to other funds	3,687	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Deferred revenue	-	-	2,883	-	-	-
<b>Total Liabilities</b>	<b>3,687</b>	<b>-</b>	<b>2,883</b>	<b>-</b>	<b>13,261</b>	<b>5,536</b>
<b>FUND BALANCES</b>						
Unreserved	-	4,731	-	74,059	88,876	-
<b>Total Fund Balance</b>	<b>-</b>	<b>4,731</b>	<b>-</b>	<b>74,059</b>	<b>88,876</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 3,687</b>	<b>\$ 4,731</b>	<b>\$ 2,883</b>	<b>\$ 74,059</b>	<b>\$ 102,137</b>	<b>\$ 5,536</b>

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 COMBINING SCHEDULE OF ACCOUNTS  
 EDUCATION FUND  
 JUNE 30, 2006

	Regional Safe Schools	Local Area Network	McKinney Education for Homeless Children	Asthma Athletes and Asthma Education Initiative	ASPIRE South	TOTAL
<b>ASSETS</b>						
Cash	\$ 36,305	\$ 15,733	\$ 105	\$ 24	\$ -	\$ 321,894
Due from other funds	-	-	-	-	-	13,258
Due from other governments	-	8,597	-	-	2,109	25,944
<b>TOTAL ASSETS</b>	<b>\$ 36,305</b>	<b>\$ 24,330</b>	<b>\$ 105</b>	<b>\$ 24</b>	<b>\$ 2,109</b>	<b>\$ 361,096</b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Accrued payroll and employee benefits	\$ 13,737	\$ -	\$ -	\$ -	\$ -	\$ 32,534
Due to other funds	-	-	-	-	2,109	13,258
Due to other governments	-	-	-	24	-	24
Deferred revenue	-	-	105	-	-	2,988
<b>Total Liabilities</b>	<b>13,737</b>	<b>-</b>	<b>105</b>	<b>24</b>	<b>2,109</b>	<b>48,804</b>
<b>FUND BALANCES</b>						
Unreserved	22,568	24,330	-	-	-	312,292
<b>Total Fund Balance</b>	<b>22,568</b>	<b>24,330</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>312,292</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 36,305</b>	<b>\$ 24,330</b>	<b>\$ 105</b>	<b>\$ 24</b>	<b>\$ 2,109</b>	<b>\$ 361,096</b>

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2006

	Technology	Early Childhood	Attendance Officer	Title I - Reading First Part B SEA	Illinois Family Violence Coordinating Council	Regional System of Support Provider
<b>REVENUES</b>						
Local sources	\$ -	\$ -	\$ 3,540	\$ -	\$ 6,125	\$ -
State sources	-	57,925	-	-	19,500	7,635
Federal sources	-	-	-	1,368	-	7,718
<b>Total Revenue</b>	<b>-</b>	<b>57,925</b>	<b>3,540</b>	<b>1,368</b>	<b>25,625</b>	<b>15,353</b>
<b>EXPENDITURES</b>						
Current:						
Salaries and Benefits	-	50,096	11	-	13,928	10,689
Purchased services	-	6,372	2,128	668	8,397	1,884
Supplies and materials	-	1,457	-	700	1,264	2,780
Capital outlay	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-
Other objects	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>57,925</b>	<b>2,139</b>	<b>1,368</b>	<b>23,589</b>	<b>15,353</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>1,401</b>	<b>-</b>	<b>2,036</b>	<b>-</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>						
Interest	-	-	-	-	-	-
<b>Total Other Sources (Uses) of Financial Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>1,401</b>	<b>-</b>	<b>2,036</b>	<b>-</b>
<b>FUND BALANCE - BEGINNING</b>	<b>87,463</b>	<b>-</b>	<b>2,216</b>	<b>-</b>	<b>4,612</b>	<b>-</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 87,463</b>	<b>\$ -</b>	<b>\$ 3,617</b>	<b>\$ -</b>	<b>\$ 6,648</b>	<b>\$ -</b>



BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2006

	Standards Aligned Classroom	Cooperative Curriculum	Educational Sanctions by Probation	Alternative Education State Aid	Truants Alternative / Optional Education	Adult Education & Family Literacy
<b>REVENUES</b>						
Local sources	\$ -	\$ 1,560	\$ -	\$ 38,402	\$ 4,429	\$ -
State sources	-	-	36,088	-	298,955	29,911
Federal sources	111,751	-	-	-	2,647	24,068
<b>Total Revenue</b>	<b>111,751</b>	<b>1,560</b>	<b>36,088</b>	<b>38,402</b>	<b>306,031</b>	<b>53,979</b>
<b>EXPENDITURES</b>						
<b>Current:</b>						
Salaries and Benefits	2,215	-	31,320	-	197,074	35,330
Purchased services	43,686	1,414	4,768	42,143	73,900	13,944
Supplies and materials	-	829	-	-	2,739	2,819
Capital outlay	-	-	-	-	-	1,886
Payments to other governments	65,850	-	-	-	-	-
Other objects	-	-	-	-	4,452	-
<b>Total Expenditures</b>	<b>111,751</b>	<b>2,243</b>	<b>36,088</b>	<b>42,143</b>	<b>278,165</b>	<b>53,979</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>(683)</b>	<b>-</b>	<b>(3,741)</b>	<b>27,866</b>	<b>-</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>						
Interest	-	-	-	1,231	-	-
<b>Total Other Sources (Uses) of Financial Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,231</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>(683)</b>	<b>-</b>	<b>(2,510)</b>	<b>27,866</b>	<b>-</b>
<b>FUND BALANCE - BEGINNING</b>	<b>-</b>	<b>5,414</b>	<b>-</b>	<b>76,569</b>	<b>61,010</b>	<b>-</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ -</b>	<b>\$ 4,731</b>	<b>\$ -</b>	<b>\$ 74,059</b>	<b>\$ 88,876</b>	<b>\$ -</b>

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 EDUCATION FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2006

	Regional Safe Schools	Local Area Network	McKinney Education for Homeless Children	Asthma Athletes and Asthma Education Initiative	ASPIRE South	TOTAL
<b>REVENUES</b>						
Local sources	\$ 20,084	\$ 71,951	\$ -	\$ 1,486	\$ -	\$ 147,577
State sources	262,199	-	-	-	-	712,213
Federal sources	-	-	215,204	-	2,109	364,865
<b>Total Revenue</b>	<b>282,283</b>	<b>71,951</b>	<b>215,204</b>	<b>1,486</b>	<b>2,109</b>	<b>1,224,655</b>
<b>EXPENDITURES</b>						
Current:						
Salaries and Benefits	239,546	60,167	82,554	200	-	723,130
Purchased services	14,866	10,029	121,677	1,186	1,783	348,845
Supplies and materials	12,338	1,023	6,362	100	326	32,737
Capital outlay	3,526	732	4,611	-	-	10,755
Payments to other governments	-	-	-	-	-	65,850
Other objects	-	-	-	-	-	4,452
<b>Total Expenditures</b>	<b>270,276</b>	<b>71,951</b>	<b>215,204</b>	<b>1,486</b>	<b>2,109</b>	<b>1,185,769</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>12,007</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,886</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>						
Interest	-	-	-	-	-	1,231
<b>Total Other Sources (Uses) of Financial Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,231</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>12,007</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,117</b>
<b>FUND BALANCE - BEGINNING</b>	<b>10,561</b>	<b>24,330</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>272,175</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 22,568</b>	<b>\$ 24,330</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 312,292</b>

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 BUDGETARY COMPARISON SCHEDULE  
 (For the Period of July 1, 2005 to June 30, 2006)  
 EDUCATION FUND ACCOUNTS  
 EARLY CHILDHOOD 3705-00  
 FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
State sources	\$ 22,601	\$ 22,601	22,601
Total Revenue	<u>22,601</u>	<u>22,601</u>	<u>22,601</u>
EXPENDITURES			
Current:			
Salaries and benefits	20,300	20,300	20,029
Purchased services	2,301	2,000	2,169
Supplies and materials	-	301	403
Total Expenditures	<u>22,601</u>	<u>22,601</u>	<u>22,601</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 BUDGETARY COMPARISON SCHEDULE  
 (For the Period of July 1, 2005 to June 30, 2006)  
 EDUCATION FUND ACCOUNTS  
 EARLY CHILDHOOD 3705-01  
 FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
State sources	\$ 32,824	\$ 35,324	\$ 35,324
Total Revenue	32,824	35,324	35,324
EXPENDITURES			
Current:			
Salaries and benefits	30,303	30,303	30,067
Purchased services	1,521	4,221	4,203
Supplies and materials	1,000	800	1,054
Total Expenditures	32,824	35,324	35,324
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	-	-	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ -

**BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3**  
**BUDGETARY COMPARISON SCHEDULE**  
 (For the Period of January 1, 2005 to December 31, 2006 (#05-FVC004-97), and  
 January 1, 2006 to December 31, 2006 (#06-FVC004-97))  
**EDUCATION FUND ACCOUNTS**  
**ILLINOIS FAMILY VIOLENCE COORDINATING COUNCIL**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts				Actual Amounts
	Original		Final		
	1/1/05 to 12/31/05	1/1/06 to 12/31/06	1/1/05 to 12/31/05	1/1/06 to 12/31/06	
<b>REVENUES</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 6,125
State sources	19,500	19,500	19,500	19,500	19,500
<b>Total revenues</b>	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>25,625</u>
<b>EXPENDITURES</b>					
Current:					
Salaries and benefits	13,814	13,814	13,814	13,814	13,928
Purchased services	3,450	3,700	3,450	3,700	8,397
Supplies and materials	1,986	1,986	1,986	1,986	1,264
Capital outlay	250	-	250	-	-
<b>Total Expenditures</b>	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>23,589</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-	2,036
<b>FUND BALANCE - BEGINNING</b>	-	-	-	-	4,612
<b>FUND BALANCE - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,648</u>

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 BUDGETARY COMPARISON SCHEDULE  
 (For the Period of July 1, 2005 to June 30, 2006)  
 EDUCATION FUND ACCOUNTS  
 EDUCATIONAL SANCTIONS BY PROBATION  
 FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
State sources	\$ 38,776	\$ 38,776	\$ 36,088
Total Revenues	38,776	38,776	36,088
EXPENDITURES			
Current:			
Salaries and benefits	34,427	34,427	31,320
Purchased services	4,349	4,349	4,768
Total Expenditures	38,776	38,776	36,088
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	-	-	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ -

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 BUDGETARY COMPARISON SCHEDULE  
 (For the Period of July 1, 2005 to June 30, 2006)  
 EDUCATION FUND ACCOUNTS  
 TRUANTS ALTERNATIVE/OPTIONAL EDUCATION  
 FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUES</b>			
Local sources	\$ -	\$ -	\$ 4,429
State sources	112,473	102,945	298,955
Federal sources	-	-	2,647
	<u>112,473</u>	<u>102,945</u>	<u>306,031</u>
<b>EXPENDITURES</b>			
Current:			
Salaries and benefits	102,777	90,325	197,074
Purchased services	7,696	10,620	73,900
Supplies and materials	2,000	2,000	2,739
Other objects	-	-	4,452
Total Expenditures	<u>112,473</u>	<u>102,945</u>	<u>278,165</u>
NET CHANGE IN FUND BALANCE	-	-	27,866
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>61,010</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,876</u>

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 BUDGETARY COMPARISON SCHEDULE  
 (For the Period of July 1, 2005 to June 30, 2006)  
 EDUCATION FUND ACCOUNTS  
 ADULT EDUCATION & FAMILY LITERACY  
 FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUES</b>			
State sources	\$ 29,911	\$ 29,911	\$ 29,911
Federal sources	24,068	24,068	24,068
 Total Revenues	 53,979	 53,979	 53,979
<b>EXPENDITURES</b>			
Current:			
Salaries and benefits	33,291	33,291	35,330
Purchased services	15,688	15,688	13,944
Supplies and materials	5,000	5,000	2,819
Capital outlay	-	-	1,886
Total Expenditures	53,979	53,979	53,979
 NET CHANGE IN FUND BALANCE	 -	 -	 -
 FUND BALANCE - BEGINNING	 -	 -	 -
 FUND BALANCE - ENDING	 \$ -	 \$ -	 \$ -



BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 BUDGETARY COMPARISON SCHEDULE  
 (For the Period of July 1, 2005 to June 30, 2006)  
 EDUCATION FUND ACCOUNTS  
 REGIONAL SAFE SCHOOLS  
 FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUES</b>			
Local sources	\$ -	\$ -	\$ 20,084
State sources	120,750	125,146	262,199
<b>Total Revenues</b>	<u>120,750</u>	<u>125,146</u>	<u>282,283</u>
<b>EXPENDITURES</b>			
Current:			
Salaries and benefits	111,611	115,999	239,546
Purchased services	7,639	7,639	14,866
Supplies and materials	1,500	1,508	12,338
Capital outlay	-	-	3,526
<b>Total Expenditures</b>	<u>120,750</u>	<u>125,146</u>	<u>270,276</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	12,007
<b>FUND BALANCE - BEGINNING</b>	<u>-</u>	<u>-</u>	<u>10,561</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,568</u>

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 BUDGETARY COMPARISON SCHEDULE  
 (For the Period of July 1, 2005 to June 30, 2006)  
 EDUCATION FUND ACCOUNTS  
 LOCAL AREA NETWORK  
 FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Local sources	\$ 57,187	\$ 57,187	\$ 71,951
Total Revenues	<u>57,187</u>	<u>57,187</u>	<u>71,951</u>
EXPENDITURES			
Current:			
Salaries and benefits	49,356	49,356	60,167
Purchased services	7,831	7,831	10,029
Supplies and materials	-	-	1,023
Capital outlay	-	-	732
Total Expenditures	<u>57,187</u>	<u>57,187</u>	<u>71,951</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>24,330</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,330</u>

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 BUDGETARY COMPARISON SCHEDULE  
 (For the Period of July 1, 2005 to August 31, 2006)  
 EDUCATION FUND ACCOUNTS  
 MCKINNEY EDUCATION FOR HOMELESS CHILDREN  
 FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Federal sources	\$ 202,210	\$ 216,903	\$ 215,204
Total Revenues	<u>202,210</u>	<u>216,903</u>	<u>215,204</u>
EXPENDITURES			
Current:			
Salaries and benefits	73,922	82,287	82,554
Purchased services	121,088	123,761	121,677
Supplies and materials	4,100	5,155	6,362
Capital outlay	3,100	5,700	4,611
Total Expenditures	<u>202,210</u>	<u>216,903</u>	<u>215,204</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 BUDGETARY COMPARISON SCHEDULE  
 (For the Period of July 1, 2005 to June 30, 2006)  
 EDUCATION FUND ACCOUNTS  
 ASTHMA ATHLETES AND ASTHMA EDUCATION INITIATIVE  
 FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUES</b>			
Local Revenue	\$ 1,510	\$ 1,510	\$ 1,486
Total Revenues	<u>1,510</u>	<u>1,510</u>	<u>1,486</u>
<b>EXPENDITURES</b>			
Current:			
Salaries and benefits	700	700	200
Purchased services	110	110	1,186
Supplies and materials	700	700	100
Total Expenditures	<u>1,510</u>	<u>1,510</u>	<u>1,486</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2006

	<u>Institute</u>	<u>General Education Development</u>	<u>ROE School Bus Driver Training</u>	<u>Supervisory</u>	<u>TOTALS</u>
<b>ASSETS</b>					
Cash on hand and in banks	\$ 49,839	\$ 13,549	\$ 4,181	\$ 2,568	\$ 70,137
<b>TOTAL ASSETS</b>	<u>\$ 49,839</u>	<u>\$ 13,549</u>	<u>\$ 4,181</u>	<u>\$ 2,568</u>	<u>\$ 70,137</u>
<b>FUND BALANCE</b>					
Unreserved	<u>49,839</u>	<u>13,549</u>	<u>4,181</u>	<u>2,568</u>	<u>70,137</u>
Total Fund Balances	<u>49,839</u>	<u>13,549</u>	<u>4,181</u>	<u>2,568</u>	<u>70,137</u>
<b>TOTAL FUND BALANCE</b>	<u>\$ 49,839</u>	<u>\$ 13,549</u>	<u>\$ 4,181</u>	<u>\$ 2,568</u>	<u>\$ 70,137</u>

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006

	Institute	General Education Development	ROE School Bus Driver Training	Supervisory	TOTALS
<b>REVENUES</b>					
Local sources	\$ 29,764	\$ 8,645	\$ 1,105	\$ -	\$ 39,514
State sources	-	15,301	480	3,000	18,781
<b>Total Revenues</b>	<b>29,764</b>	<b>23,946</b>	<b>1,585</b>	<b>3,000</b>	<b>58,295</b>
<b>EXPENDITURES</b>					
Salaries and benefits	-	13,276	-	-	13,276
Purchased services	18,751	2,990	1,178	1,678	24,597
Supplies and materials	-	3,662	-	222	3,884
Other objects	-	27	-	-	27
Capital Outlay	1,093	-	-	-	1,093
<b>Total Expenditures</b>	<b>19,844</b>	<b>19,955</b>	<b>1,178</b>	<b>1,900</b>	<b>42,877</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>9,920</b>	<b>3,991</b>	<b>407</b>	<b>1,100</b>	<b>15,418</b>
<b>FUND BALANCES - BEGINNING</b>	<b>39,919</b>	<b>9,558</b>	<b>3,774</b>	<b>1,468</b>	<b>54,719</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 49,839</b>	<b>\$ 13,549</b>	<b>\$ 4,181</b>	<b>\$ 2,568</b>	<b>\$ 70,137</b>

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUND  
JUNE 30, 2006

	<u>Distributive Fund</u>	<u>Totals</u>
<b>ASSETS</b>		
Cash	<u>\$ 599</u>	<u>\$ 599</u>
Total Assets	<u><u>\$ 599</u></u>	<u><u>\$ 599</u></u>
<b>LIABILITIES</b>		
Due to other governmental units	<u>599</u>	<u>\$ 599</u>
Total Liabilities	<u><u>\$ 599</u></u>	<u><u>\$ 599</u></u>

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Balance 7/1/2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2006</u>
<u>DISTRIBUTIVE</u>				
<u>ASSETS</u>				
Cash	\$ 500	\$ 905,369	\$ 905,270	\$ 599
Total Assets	<u>\$ 500</u>	<u>\$ 905,369</u>	<u>\$ 905,270</u>	<u>\$ 599</u>
<u>LIABILITIES</u>				
Due to other governmental units	\$ 500	\$ 905,369	\$ 905,270	\$ 599
Total Liabilities	<u>\$ 500</u>	<u>\$ 905,369</u>	<u>\$ 905,270</u>	<u>\$ 599</u>
 <u>TOTALS-ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash	\$ 500	\$ 905,369	\$ 905,270	\$ 599
Total Assets	<u>\$ 500</u>	<u>\$ 905,369</u>	<u>\$ 905,270</u>	<u>\$ 599</u>
<u>LIABILITIES</u>				
Due to other governmental units	\$ 500	\$ 905,369	\$ 905,270	\$ 599
Total Liabilities	<u>\$ 500</u>	<u>\$ 905,369</u>	<u>\$ 905,270</u>	<u>\$ 599</u>



BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURER'S AND OTHER ENTITIES  
DISTRIBUTIVE FUND  
FOR THE YEAR ENDED JUNE 30, 2006

<b>Description</b>	Educational Services	Focus School	Regional Office Of Education	The New Approach School	Total
General State Aid 18-8	\$ -	\$ 137,053	\$ -	\$ 195,871	\$ 332,924
State Free Lunch & Breakfast	-	-	-	138	138
ROE School Bus Driver Training	-	-	480	-	480
Truants Alternative/Optional Ed.	-	-	-	102,945	102,945
Regional Safe Schools	-	125,995	-	-	125,995
Early Childhood Block Grant	61,026	-	-	-	61,026
ROE/ISC Operations	56,187	-	-	-	56,187
Supervisory Fund	-	-	3,000	-	3,000
National School Lunch Program	-	-	-	2,476	2,476
School Breakfast Program	-	-	-	170	170
Title I Reading First Part B SEA	128	-	-	-	128
McKinney Education for Homeless Children	219,801	-	-	-	219,801
Interest	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 337,142</b>	<b>\$ 263,048</b>	<b>\$ 3,480</b>	<b>\$ 301,600</b>	<b>\$ 905,270</b>

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/ Pass-Through Grantor/ <u>Program or Cluster Title</u>	CFDA <u>Number</u>	Project # (1st eight digits) or <u>Contract #</u>	Federal <u>Expenditures</u> <u>7/1/05 - 6/30/06</u>
<b>U.S. Dept. of Education</b>			
<b>Passed through Illinois State Board of Education:</b>			
Title I Reading First Part B SEA Funds	84.357A	05-4337-02	\$ 1,368
McKinney Education for Homeless Children	84.196A	05-4920-00	6,091 (M)
McKinney Education for Homeless Children	84.196A	06-4920-00	<u>209,113 (M)</u>
Total McKinney Education for Homeless Children			<u>215,204</u>
<b>Total U.S. Dept of Education through the Illinois State Board of Education</b>			<u>216,572</u>
<b>U.S. Dept. of Agriculture</b>			
<b>Passed through Illinois State Board of Education</b>			
National School Lunch Program	10.555	06-4210-00	2,476
School Breakfast Program	10.553	06-4220-00	<u>171</u>
<b>Total U.S. Dept of Agriculture through the Illinois State Board of Education</b>			<u>2,647</u>
<b>U.S. Dept. of Education</b>			
<b>Passed through Illinois Community College Board</b>			
Adult Education and Family Literacy	84.002A	501AA	<u>24,068</u>
<b>Total U.S. Dept of Education through the Illinois Community College Board</b>			<u>24,068</u>
<b>U.S. Dept. of Education</b>			
<b>Passed through Clark, Coles, Cumberland, Douglas, Edgar, Moultrie &amp; Shelby Counties Regional Office of Education # 11</b>			
Standards Aligned Classroom	84.289A	06-4999-00	<u>111,751</u>
<b>Total U.S. Dept of Education through the Clark, Coles, Cumberland, Douglas, Edgar, Moultrie &amp; Shelby Counties Regional Office of Education #11</b>			<u>111,751</u>
<b>U.S. Dept. of Education</b>			
<b>Passed through St. Clair County Regional Office of Education #50</b>			
Title I School Improvement and Accountability	84.010A	05-4331-SS	947
Title I School Improvement and Accountability	84.010A	06-4331-SS	<u>5,518</u>
Total Title I School Improvement and Accountability			<u>6,465</u>
Title II Teacher Quality System of Support	84.367A	06-4935-SS	<u>1,253</u>
<b>Total U.S. Dept. of Education passed through St. Clair County Regional Office of Education #50</b>			<u>7,718</u>
<b>U.S. Dept. of Education</b>			
<b>Passed through Southern Illinois University at Edwardsville</b>			
Federal Special Education Grant IDEA Part D Programs	84.323A	06-4631-RC	<u>2,109</u>
<b>Total U.S. Dept of Education through Southern Illinois University at Edwardsville</b>			<u>2,109</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 364,865</u>

(M) Program was audited as a major program.

The accompanying notes are an integral part of this schedule.

BOND, FAYETTE, EFFINGHAM COUNTIES REGIONAL OFFICE OF EDUCATION #3  
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1. REPORTING ENTITY BASIS OF PRESENTATION AND ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Bond-Fayette-Effingham Counties Regional Office of Education #3 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented on this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Regional Office of Education #3 provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA #</u>	<u>Amount provided to subrecipients</u>
Standards Aligned Classroom	84.289A	\$ 65,850

NOTE 3. DESCRIPTION OF MAJOR FEDERAL PROGRAM

The McKinney Education for Homeless Children program provides training and technical assistance to school districts in the 16 counties to assist school officials in understanding and complying with the McKinney-Vento Act.

NOTE 4. NON-CASH ASSISTANCE

None.

NOTE 5. AMOUNT OF INSURANCE

None.

NOTE 6. LOANS OR LOAN GUARANTEES OUTSTANDING

None.