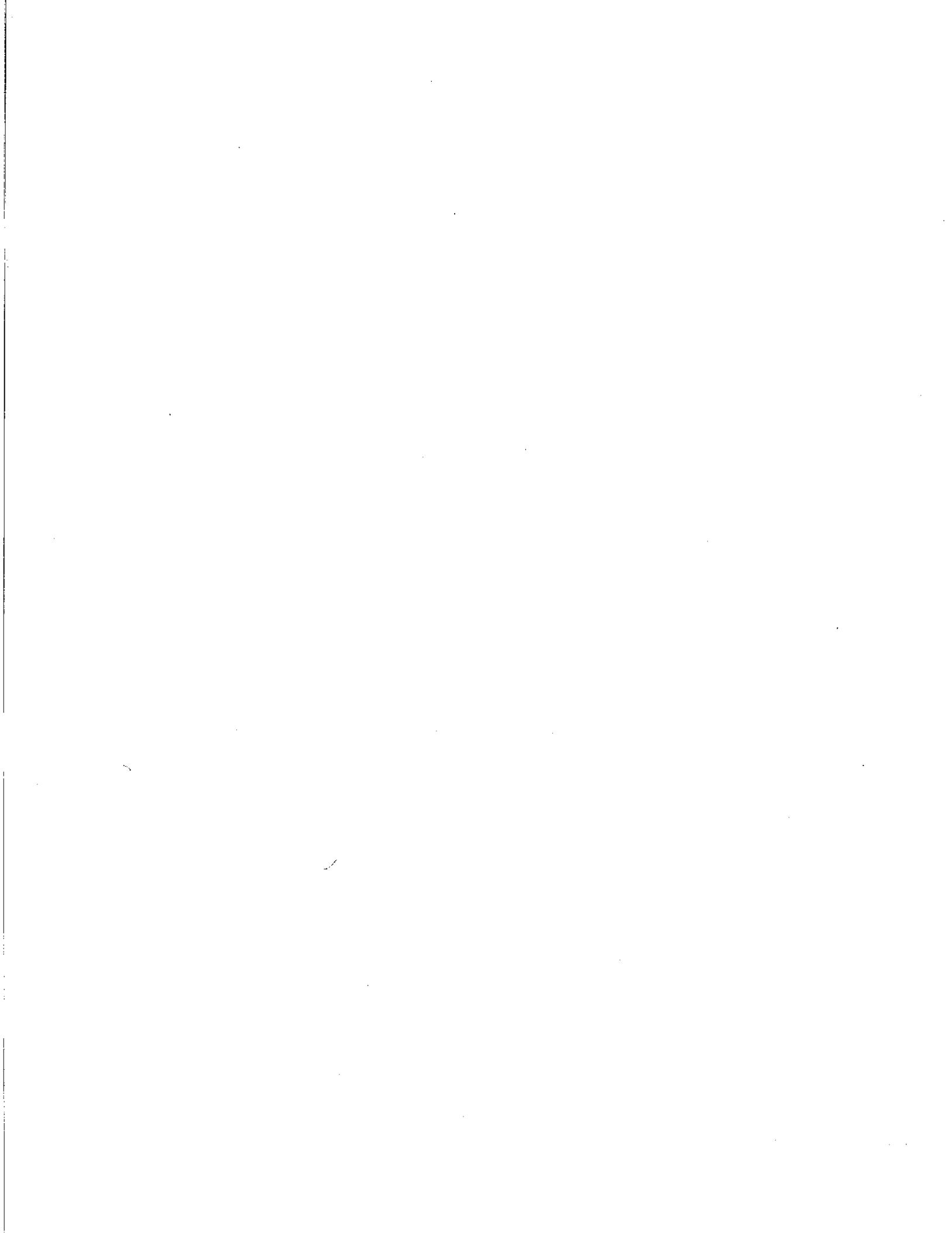


State of Illinois
REGIONAL OFFICE OF EDUCATION #54
FINANCIAL AUDIT
For the year ended June 30, 2006

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



VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

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VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

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VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

OFFICIALS

Regional Superintendent (current and during the audit period)

Mr. Michael Metzen

Assistant Regional Superintendent (during the audit period)

Mr. Jim Trask

Assistant Regional Superintendent (current)

Ms. Cheryl Reifsteck

Offices are located at:

200 S. College, Suite B
Danville, IL 61832

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

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 do not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF AUDIT FINDINGS

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

Details of 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)		
06-01	10-13	Controls Over Compliance with Laws and Regulations

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

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

PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

There were no prior findings.

EXIT CONFERENCE

An informal exit conference was held on August 2, 2006. Attending were Michael Metzen, Regional Superintendent of Schools, Janice Hawkins, Bookkeeper and James E. Moon, CPA of West & Company, LLC.

The responses to the recommendations were provided by Michael Metzen in an email dated December 13, 2006.

FINANCIAL STATEMENT REPORT

Financial Presentation Examined

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

The financial statement report is comprised of the following:

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

Auditors' Reports

- An Auditors' Reports section containing statements by the auditors on the scope and results of their audit, as required by applicable professional standards.

Findings and Recommendations

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

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

Financial Statements

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

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

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of the Vermilion County Regional Office of Education #54 was performed by West & Company, LLC.

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

WEST & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS
&
CONSULTANTS

MEMBERS

E. LYNN FREESE
RICHARD C. WEST
KENNETH L. VOGT
BRIAN E. DANIELL
JANICE K. ROMACK
DIANA R. SMITH

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INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Vermilion County Regional Office of Education #54, as of and for the year ended June 30, 2006, which collectively comprise the Vermilion County Regional Office of Education #54's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Vermilion County Regional Office of Education #54's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Vermilion County Regional Office of Education #54, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2006, on our consideration of the Vermilion County Regional Office of Education #54'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 the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 18A through 18E is not a required part of the basic financial statements but is 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 Vermilion County Regional Office of Education #54's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Disbursements to School District Treasurers and Other Entities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules and Schedule of Disbursements to School District Treasurers and Other Entities have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

West + Company, LLC

August 2, 2006

WEST & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS
&
CONSULTANTS

MEMBERS

E. LYNN FREESE
RICHARD C. WEST
KENNETH L. VOGT
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Vermilion County Regional Office of Education #54, as of and for the year ended June 30, 2006, which collectively comprise the Vermilion County Regional Office of Education #54's basic financial statements and have issued our report thereon dated August 2, 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 Vermilion County Regional Office of Education #54's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Vermilion County Regional Office of Education #54's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance which we reported on the accompanying Schedule of Findings and Questioned Costs as item 06-01.

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

West + Company, LLC

August 2, 2006

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2006

Section I -- Summary of Auditors' Results

Financial statements

Type of auditors' report issued:

UNQUALIFIED

Internal control over financial reporting:

- material weakness(es) identified? yes X no

- Reportable condition(s) identified that are not considered to be material weakness(es)? yes X none reported

- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

N/A

- material weakness(es) identified? N/A yes no

- Reportable condition(s) identified that are not considered to be material material weakness(es)? N/A yes none reported

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

N/A

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

N/A yes no

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

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

Section I -- Summary of Auditors' Results (concluded)

Identification of major programs:

CFDA Number(s)

Name of federal program or cluster

This section is not applicable.

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

Auditee qualified as a low-risk auditee? N/A _____ yes _____ no

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

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

Section II—Financial Statement Findings

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

Criteria/specific requirements:

- A. The Illinois School Code 105 ILCS 5/3-14.11 states that the Regional Superintendent shall examine at least once each year all books, accounts, and vouchers of every school treasurer in his educational service region, and if he finds any irregularities in them, to report them at once, in writing, to the trustees in Class II county school units, to the respective school boards of those school districts which form a part of a Class II county school unit but which are not subject to the jurisdiction of the trustees of schools of any township in which any such district is located, or to the respective school boards of the district in Class I county school units whose duty it shall be to take immediately such action as the case demands. (This mandate has existed in its current form since at least 1953.)
- B. The Illinois School Code 105 ILCS 5/3-5 states that the county superintendent shall present under oath or affirmation to the county board at its meeting in September and as nearly quarterly thereafter as it may have regular or special meetings, a report of all his acts as county superintendent, including a list of all the schools visited with the dates of visitation. (This mandate has existed in its current form since at least 1953.)
- C. The Illinois School Code 105 ILCS 5/3-14.5 requires the Regional Superintendent to visit each public school in the county at least once a year, noting the methods of instruction, the branches taught, the text-books used, and the discipline, government and general condition of the schools. (This mandate has existed in its current form since at least 1953.)
- D. The Illinois School Code 105 ILCS 5/3-7 states that each school district shall, as of June 30 each year, cause an audit to be made of its accounts. Each school district shall on or before October 15 of each year, submit an original and one copy of such audit to the Regional Superintendent. If any school district fails to supply the Regional Superintendent with a copy of such audit report on or before October 15, or within such time extended by the Regional Superintendent from that date, not to exceed 60 days, then it shall be the responsibility of the Regional Superintendent to cause such audit to be made.
- E. The Illinois School Code 105 ILCS 5/13B-25.35 states that based on district plans to provide alternative learning opportunities, the Regional Office of Education must submit an annual plan summarizing the number, needs, and demographics of students at risk of academic failure expected to be served in its region. This plan must be updated annually and be submitted to the State Board.

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2006

Section II—Financial Statement Findings (Continued)

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

Conditions:

- A. The Regional Office of Education #54 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 #54 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all his acts including a list of all schools visited and dates of visitation.
- C. The Regional Office of Education #54 performs compliance inspections for each public school in his region on a rotational basis every four years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.
- D. The Regional Office of Education #54 was unable to supply evidence that 2 of the 15 school district financial statement audit reports were submitted to the ROE by October 15, 2005 or by the extension date.
- E. The Regional Office of Education #54 did not provide ISBE with an annual Regional Plan summarizing the number, needs, and demographics of students at risk of academic failure expected to be served in its region, even though a school district within the Regional Office's region participated in an Alternative Learning Opportunities Program (ALOP).

Effects:

The Regional Office of Education #54 did not comply with statutory requirements.

Causes:

- A. The Regional Office of Education signs off on the Annual Financial Reports for the school districts in the region. The Regional Office receives a spreadsheet from the Illinois State Board of Education that outlines all of the school districts and their audit exceptions, if any. The Regional Office does receive copies of letters indicating noted exceptions and does a follow-up with individual districts when responses are required. With these technological advances and audit requirements, the level of detail required by 105 ILCS 5/3-14.11 is not as applicable as it was in 1953.

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

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

Section II—Financial Statement Findings (Continued)

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

Causes (Continued):

- B. The Regional Superintendent was not aware of the specifics that needed to be covered in an annual report to the county board. Past practice was the sharing of the annual audit. He completed his first year as Regional Superintendent on June 30, 2006 and plans to follow the statute in the future.
- C. The Regional Superintendent was not aware that more specific areas were in need of visit during the annual building visits. The incorrect assumption was that the annual visit was sufficient.
- D. The Regional Superintendent did not monitor two of the districts more closely in the fact that they were late in submission of reports to the Regional Office of Education. In one case, the new superintendent of one of the districts submitted directly to the Illinois State Board of Education and did not submit a copy to the Regional Office.
- E. The Regional Office of Education believed that ALOP was non-applicable to his region.

Auditors' Recommendations:

- A. The Regional Office of Education #54 should comply with the requirements of 105 ILCS 5/3-14.11.
- B. The Regional Superintendent should attend the county board meetings in September and quarterly thereafter, and present a report of all his acts including a list of all schools visited and dates of visitation as required by 105 ILCS 5/3-5.
- C. The Regional Superintendent should visit each public school annually to review all items required by 105 ILCS 5/3-14.5.
- D. The Regional Office of Education #54 should maintain a log evidencing the receipt of the financial statements from the school districts and should implement a system for monitoring whether or not copies of financial statements are on hand as required by 105 ILCS 5/3-7.
- E. The Regional Office of Education #54 should submit to the State Board an annual plan summarizing the number, needs, and demographics of students at risk of academic failure expected to be served in its region as required by 105 ILCS 5/13B-25.35.

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.

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2006

Section II—Financial Statement Findings (Continued)

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

Management's Responses:

- A. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 5/3-7 of the Illinois School Code is a more current, thorough, and comprehensive requirement concerning a public school district's financial transactions. As a result, the two parties working together will seek legislation to repeal section 5/3-14.11 of the Illinois School Code.
- B. The Regional Superintendent prepared an Annual Report reporting annual activities of the Regional Office of Education, including district compliance, building inspections, professional development offerings, certification requirements, bus driver training, administration of GED testing, truancy issues, Regional Safe Schools Program, etc. and presented such report to the Vermilion County Board. There will be quarterly reports shared with the county board or at the board's discretion, the Health and Education Committee of the county board.
- C. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 1.20 of the 23rd Illinois Administrative Code is a more current, thorough, and comprehensive requirement concerning visitation of public schools by the Regional Superintendent. As a result, the two parties working together will seek legislation to repeal section 5/3-14.5 of the Illinois School Code.
- D. The Regional Superintendent developed a log system for fiscal year 2007 to insure that all districts either sent their Annual Financial Reports to the Regional Office of Education by October 15th or requested in writing an extension from the Regional Superintendent. All districts' reports were either in to the Regional Office of Education by October 15th or districts requested and were granted an appropriate extension for completion of their audit.
- E. The Regional Superintendent was not aware that the Alternative Learning Opportunities Program (ALOP) existed in FY06 with Danville District 118 since the Regional Office did not participate in the process. The Regional Office should have submitted a regional plan for FY06. Failure to submit the plan was due to fact that the ALOP did not go through the Regional Office of Education. It is the understanding at this time that Danville District 118 did not apply in FY07 and there are no ALOPs in FY07 in the region.

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2006

Section III: Federal Award Findings

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

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2006

Corrective Action Plan

Finding No.: 06-01

Conditions:

- A. The Regional Office of Education #54 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 #54 did not present at the September county board meetings and as nearly quarterly thereafter, a report of all his acts including a list of all schools visited and dates of visitation.
- C. The Regional Office of Education #54 performs compliance inspections for each public school in his region on a rotational basis every four years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.
- D. The Regional Office of Education #54 was unable to supply evidence that 2 of the 15 school district financial statement audit reports were submitted to the ROE by October 15, 2005 or by the extension date.
- E. The Regional Office of Education #54 did not provide ISBE with an annual Regional Plan summarizing the number, needs, and demographics of students at risk of academic failure expected to be served in its region, even though a school district within the Regional Office's region participated in an Alternative Learning Opportunities Program (ALOP).

Plan:

- A. We will seek a legislative solution to this statute.
- B. The Regional Superintendent has prepared an Annual Report reporting annual activities of the Regional Office of Education, including district compliance, building inspections, professional development offerings, certification requirements, bus driver training, administration of GED testing, truancy issues, Regional Safe Schools Program, etc. and presented such report to the Vermilion County Board. There will be quarterly reports shared with the county board or at the board's discretion, the Health and Education Committee of the county board.
- C. We will seek a legislative solution to this statute.

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2006

Corrective Action Plan (Continued)

Finding No.: 06-01 (Continued)

Plan (Continued):

- D. The Regional Superintendent has developed a log system for fiscal year 2007 to insure that all districts either send their Annual Financial Reports to the Regional Office of Education by October 15th or request in writing an extension from the Regional Superintendent.
- E. The Regional Superintendent was not aware that the Alternative Learning Opportunities Program (ALOP) existed in FY06 with Danville District 118 since the Regional Office did not participate in the process. The Regional Office should have submitted a regional plan for FY06. Failure to submit the plan was due to fact that the ALOP did not go through the Regional Office of Education. It is the understanding at this time that Danville District 118 did not apply in FY07 and there are no ALOPs in FY07 in the region.

Anticipated Date of Completion:

On going.

Name of Contact Person:

Mike Metzen, Regional Superintendent

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2006

<u>Finding number</u>	<u>Condition</u>	<u>Current Status</u>
05-01	Failure to examine financial records of every school treasurer in the Region.	Repeated as 06-01

MANAGEMENT'S DISCUSSION AND ANALYSIS

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2006

I. USING THIS REPORT

These financial statements and accompanying statement are presented in a format consistent with the presentation requirements of GASB Statements No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and Local governments*.

II. REPORT COMPONENTS

These financial statements and their accompanying information consists of several parts as follows:

1. Independent auditor's report
2. Basic financial statements including government-wide and fund financial statements
3. Supplemental information including the Management's Discussion and Analysis

III. BASIS OF ACCOUNTING

The accounting for the Regional Office of Education #54 (Regional Office) is organized on the basis of funds. These funds are treated by the Regional Office as a separate accounting entity.

Revenues and expenses on the government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when cash is received or paid. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Revenues and expenditures on the government fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Regional Office does not reflect a General Fund. Because all expenses of operating and maintaining the office are paid for by Vermilion County, those costs are reflected in the budgets and reports of the Vermilion County General Fund.

IV. BUDGETARY HIGHLIGHTS

The Regional Office has not and is not legally required to adopt a formal budgetary accounting system for its various funds. However, the Regional Office has adopted an internal budget for expenses relating to office operations for funding received from the Vermilion County Board.

V. CAPITAL ASSETS

Capital assets for the Regional Office have been capitalized at a \$1,000 entry level. This level has been adopted by the Regional Office on their own to standardize the accounting for these assets. Capital asset levels as capitalized and reported by Vermilion County for office operations and maintenance of the Regional Office are set at \$500; thus, the reporting by the County may differ from the Regional Office. The Regional Office does not currently have any capital assets.

VI. OTHER REGIONAL OFFICE ACTIVITIES

State regulations have strict requirements regarding the deposits and usage of funds that are deposited with the Regional Office. All funds have been deposited and expended in compliance with those regulations.

Because the regional Office operates mainly on "pass-through" basis, there is no control over the amount of funds that come through the office to be disbursed. Further, there is no significant information that could be shown that would reflect changes in the funding that are under the control of the Regional Office.

All expenditures that are made by the Regional Office are made in compliance with the purposes as set forth by the funding bodies.

All expenditures made through the General Fund of the Vermilion County are examined prior to disbursement by the Vermilion County Auditor and approved according to their policies for such expenses. All other records of the Regional Office are open to the examination by the Vermilion County Auditor, to the extent allowed by laws regulating such.

VII. FINANCIAL HIGHLIGHTS

This report consists of a series of financial statements and notes to those statements. The statements are organized to assist the reader in understanding the Vermilion County Regional Office of Education as an entire operating entity. The statements go further to provide a detailed look at specific financial activities. The government-wide statements, which are the Statement of Net Assets and the Statement of Activities, provide information about the activities of the whole Regional Office.

The fund financial statements provide the next level of activity. For government type funds, the statements tell how services were financed on a short-term basis, as well as what balances remain for future spending. The major funds of the Regional Office are also looked at on an individual basis, with non-major funds being combined and presented as a total in one column. In the Regional Office, the Direct Services Fund is by far the most significant.

The financial statements also reflect two types of funds. The government funds used by the Regional Office are actually special revenue funds used to account for revenue from specific sources. The Regional Office operates several of these special revenue funds under the blanket of the government funds. Most of the Regional Office's programs and services are accounted for in the government funds. These include institute services, direct services, education services and various other services and activities. In addition, net assets relating to the Teacher Institute Fund are considered restricted for teacher professional development.

Fiduciary funds are funds that are used solely to account for assets held by the Regional Office as a trustee or an agent for other government agencies. Overall, the fiduciary fund is custodial in nature and thus does not involve measurement of results of its operation.

The following table provides a summary of the Regional Office's net assets for the fiscal years June 30, 2005 and 2006.

NET ASSETS

	<u>GOVERNMENTAL FUNDS</u>	
	<u>2006</u>	<u>2005</u>
CURRENT ASSETS		
Cash	\$ 176,300	\$ 166,158
Investments	7,000	7,000
Interest receivable	48	48
	<u> </u>	<u> </u>
Total assets	<u>183,348</u>	<u>173,206</u>
CURRENT LIABILITIES		
Accounts payable	-	190
Deferred revenue	44,870	46,023
	<u> </u>	<u> </u>
Total liabilities	<u>44,870</u>	<u>46,213</u>
NET ASSETS		
Unrestricted	121,501	112,869
Restricted for teacher professional development	16,977	14,124
	<u> </u>	<u> </u>
Total net assets	<u>\$ 138,478</u>	<u>\$ 126,993</u>

The following table shows the changes in net assets for the fiscal year ended June 30, 2006.

CHANGE IN NET ASSETS

	<u>2006</u>	<u>2005</u>
Revenues:		
Program Revenues:		
Operating grants and contributions	\$ 260,233	\$ 207,059
General Revenues:		
Local sources	53,823	40,258
On-behalf payments	218,193	271,507
Interest	1,546	1,582
Transfers	14,631	8,861
TOTAL REVENUES	<u>548,426</u>	<u>529,267</u>
Expenses:		
Instructional services:		
Purchased services	55,017	44,547
Supplies and materials	12,448	8,385
Other objects	2,295	3,783
Payments to other governments	248,988	226,984
Administrative:		
On-behalf payments	218,193	271,507
TOTAL EXPENSES	<u>536,941</u>	<u>555,206</u>
Changes in Net assets	11,485	(25,939)
Net Assets-beginning	126,993	152,932
Net Assets-ending	<u>\$ 138,478</u>	<u>\$ 126,993</u>
Total program revenues	\$ 260,233	\$ 207,059
Total general revenues	<u>273,562</u>	<u>313,347</u>
Total revenues	<u>\$ 533,795</u>	<u>\$ 520,406</u>
Total expenses	<u>\$ 536,941</u>	<u>\$ 555,206</u>

Key financial highlights for fiscal year ended June 30, 2006 are as follows:

- Net assets of government funds increased \$11,485, representing a 9% increase from 2005.
- The two major expenditures for the government funds are on-behalf payments, representing 41 % of total expenditures and payments to other governments, or flow-through expenditures, representing 46%. Other expenditures are purchased services (10%), supplies and materials (2%), and other expenditures (less than 1%).
- The two major funding sources for the government funds are on-behalf payments and operating grants and contributions representing 87%. Other sources are local (10%), interest (less than 1%), and transfers (3%).
- Overall revenues have increased 4% and expenditures decreased 3%.
- There was no single significant change in accounts for the majority of the increase in fund balance. Most funds show a slight increase in revenue (grant, interest, participation fees) and a decrease in expenses (less service, decreased cost of services, lesser need of services). This trend is consistent with recent years with the consideration of increase registration prior to the beginning of the fiscal year and the fact that the local match of funds supporting the Vermilion Vocational Education Delivery System was not distributed for FY06 due to the reorganization of that system. The contribution will be made in FY07.

In conclusion, the Office continues to rely on state and federal funds for delivering the majority of its services. The flow-through accounts provide revenues to provide services to schools, teachers and administration that they might not otherwise have access to at the local level. The Office needs to continue to pursue cooperative efforts with other Local Education Agencies to maximize the programmatic impact with funds available. While this fiscal report is indicative of the current trend, the overall operation of the Regional Office is not greatly affected by decreases at this time.

This financial report is designed to provide the users with a general overview of the finances of the Vermilion County Regional Office of Education. It further serves to demonstrate the Office's accountability for the money it receives and expends. If you have questions about this or need additional financial information, contact the Vermilion County Regional Office of Education at 200 S. College Street, Suite B, Danville, IL 61832.

BASIC FINANCIAL STATEMENTS

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

STATEMENT OF NET ASSETS

June 30, 2006

	<u>Governmental Activities</u>
CURRENT ASSETS	
Cash	\$ 176,300
Investments	7,000
Interest receivable	<u>48</u>
Total assets	<u>183,348</u>
CURRENT LIABILITIES	
Deferred revenue	<u>44,870</u>
Total liabilities	<u>44,870</u>
NET ASSETS	
Unrestricted	121,501
Restricted for teacher professional development	<u>16,977</u>
Total net assets	<u><u>\$ 138,478</u></u>

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

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

STATEMENT OF ACTIVITIES
For the year ended June 30, 2006

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Net (Expense) Revenue and Changes In Net Assets</u> <u>Governmental Activities</u>
Governmental activities:			
Instructional services:			
Purchased services	\$ 55,017	\$ 14,769	\$ (40,248)
Supplies and materials	12,448	3,924	(8,524)
Other objects	2,295	7	(2,288)
Payments to other governments	248,988	241,533	(7,455)
Administrative:			
On-behalf payments	<u>218,193</u>	<u>-</u>	<u>(218,193)</u>
 Total governmental activities	 <u>\$ 536,941</u>	 <u>\$ 260,233</u>	 <u>(276,708)</u>
		General revenues	
		Local sources	53,823
		On-behalf payments	218,193
		Interest	1,546
		Transfers	<u>14,631</u>
		Total general revenues and transfers	<u>288,193</u>
		Change in net assets	11,485
		Net assets - beginning	<u>126,993</u>
		Net assets - ending	<u>\$ 138,478</u>

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

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	Institute Fund	Direct Services Fund	Education Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS					
CURRENT ASSETS					
Cash	\$ 56,447	\$ 92,840	\$ -	\$ 27,013	\$ 176,300
Investments	-	-	-	7,000	7,000
Interest receivable	-	-	-	48	48
Total assets	<u>\$ 56,447</u>	<u>\$ 92,840</u>	<u>\$ -</u>	<u>\$ 34,061</u>	<u>\$ 183,348</u>
LIABILITIES AND FUND BALANCE					
CURRENT LIABILITIES					
Deferred revenue	\$ 39,470	\$ 5,400	\$ -	\$ -	\$ 44,870
Total liabilities	<u>39,470</u>	<u>5,400</u>	<u>-</u>	<u>-</u>	<u>44,870</u>
FUND BALANCES					
Fund balances, unreserved	16,977	77,828	-	34,061	128,866
Fund balances, reserved	-	9,612	-	-	9,612
Total fund balances	<u>16,977</u>	<u>87,440</u>	<u>-</u>	<u>34,061</u>	<u>138,478</u>
Total liabilities and fund balances	<u>\$ 56,447</u>	<u>\$ 92,840</u>	<u>\$ -</u>	<u>\$ 34,061</u>	<u>\$ 183,348</u>

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

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the year ended June 30, 2006

	<u>Institute Fund</u>	<u>Direct Services Fund</u>	<u>Education Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Local sources	\$ 22,594	\$ 20,149	\$ -	\$ 11,080	\$ 53,823
State sources	-	17,798	218,467	1,840	238,105
Federal sources	-	-	22,128	-	22,128
On-behalf payments	-	218,193	-	-	218,193
Interest	427	924	-	195	1,546
Total revenues	<u>23,021</u>	<u>257,064</u>	<u>240,595</u>	<u>13,115</u>	<u>533,795</u>
Expenditures:					
Instructional services:					
Purchased services	11,689	35,017	-	8,311	55,017
Supplies and materials	275	8,847	-	3,326	12,448
Other objects	2,250	-	-	45	2,295
Payments to other governments	5,954	2,439	240,595	-	248,988
On-behalf payments	-	218,193	-	-	218,193
Total expenditures	<u>20,168</u>	<u>264,496</u>	<u>240,595</u>	<u>11,682</u>	<u>536,941</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,853</u>	<u>(7,432)</u>	<u>-</u>	<u>1,433</u>	<u>(3,146)</u>
Other financing sources (uses):					
Operating transfers in	-	14,631	-	-	14,631
Net other sources and uses of financial resources	<u>-</u>	<u>14,631</u>	<u>-</u>	<u>-</u>	<u>14,631</u>
Net change in fund balances	2,853	7,199	-	1,433	11,485
Fund balances, beginning of year	14,124	80,241	-	32,628	126,993
Fund balances, end of year	<u>\$ 16,977</u>	<u>\$ 87,440</u>	<u>\$ -</u>	<u>\$ 34,061</u>	<u>\$ 138,478</u>

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

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2006

	Expendable Trust Fund <u>DAAPP</u>	Agency Fund <u>Distributive</u>
ASSETS		
Cash	\$ 12,476	\$ -
Due from other government	<u>-</u>	<u>755,157</u>
Total assets	<u>\$ 12,476</u>	<u>\$ 755,157</u>
LIABILITIES		
Accounts payable	\$ 1,612	\$ -
Due to other governments	<u>-</u>	<u>755,157</u>
Total liabilities	<u>1,612</u>	<u>\$ 755,157</u>
NET ASSETS		
Held in trust	<u>\$ 10,864</u>	

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

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND

For the year ended June 30, 2006

	Expendable Trust Fund <u>DAAPP</u>
ADDITIONS	
Local sources	\$ 36,300
Interest	<u>101</u>
Total additions	<u>36,401</u>
DEDUCTIONS	
Salaries	17,500
Purchased services	3,603
Supplies and materials	7,203
Capital outlay	<u>1,290</u>
Total deductions	<u>29,596</u>
Change in net assets	6,805
Net assets - beginning of year	<u>4,059</u>
Net assets - end of year	<u>\$ 10,864</u>

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

NOTES TO THE FINANCIAL STATEMENTS

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Regional Office of Education #54's accounting policies conform to generally accepted accounting principles which are appropriate to local governmental units of this type.

A. Reporting Entity

The Regional Office of Education #54 was created by Illinois Public Act 76-735, as amended, effective August 11, 1969. The region encompasses Vermilion County.

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

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

The Regional Office of Education #54 derives its oversight power and authority over the school districts from the School Code of Illinois and is responsible for its own fiscal and budgetary matters. The Regional Office of Education #54 exercises no oversight responsibility or financial interdependency, selection of governing authority, designation of management or the ability to significantly influence the operations of any other outside agencies. Control or dependency is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing order. Therefore, no other agency has been included as a component unit in the Regional Office of Education #54's financial statements. In addition, the Regional Office of Education #54 is not aware of any entity that would exercise oversight as to result in the Regional Office of Education #54 being considered a component unit of the entity.

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Regional Office of Education reports the following major governmental funds:

General Fund – The Regional Office of Education #54 maintains no General Fund because the expenses of maintaining its office are paid by Vermilion County.

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

Direct Services – Interest from the Distributive Fund is transferred to this fund to be used for various programs that benefit the school districts or the regional office. Examples are grant match, computer consortium and technology hub. The fund also accounts for monies received for the ROE Schoolwork program. The \$9,612 reserved fund balance relates to unspent ROE Schoolwork program funds at June 30, 2006.

Education – This fund is used to account for State, local and federal grant monies received for, and payment of, administering numerous grant awards for education which include:

General State Aid – This fund is used to account for General State Aid received from the Illinois State Board of Education based on the average daily attendance at the Regional Safe School.

State Lunch – This fund is used to account for State monies received to provide free lunches and breakfasts to eligible needy children enrolled in the Regional Safe School Program.

School Breakfast Incentive – To account for state monies received to provide free breakfasts to eligible needy children enrolled in the Regional Safe School Program.

Regional Safe Schools – This fund is used to account for the Regional Safe Schools grant monies. The program concentrates on the education of students who have been expelled from the school districts served by the Regional Office of Education #54.

Breakfast Start Up – This fund is used to account for federal monies received to assist the Regional Office with starting a breakfast program for students enrolled in the Regional Safe School Program.

National School Lunch Program – This fund is used to account for the monies received from federal funds for reimbursement for meals served through the school lunch program at the regular price as well as reimbursement of free and reduced-price meals for students enrolled in the Regional Safe Schools Program.

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Education (continued)

School Breakfast Program – To account for federal monies received to provide breakfast meals meeting federal requirements to all children in attendance at the Regional Safe School Program.

The Regional Office of Education reports the following nonmajor funds:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than those accounted for in the Fiduciary Funds, that are restricted to expenditures for specific purposes. Included among these funds are:

Bus Driver Training Fund – This fund is used to account for the fee charged for annual training courses. The funds can be used for supplies and training pertaining to this program.

Supervisory Fund – This fund is used to account for the travel and other expenditures necessary to perform the duty of supervising the school districts in the region.

Board of School Trustees Fund – This fund is used to account for the expenses of the Regional Board of School Trustees.

General Education Development Fund – This fund is used to account for proceeds earned from individuals who pay fees to participate in the high school equivalency program and the costs incurred in administering the program.

Additionally, the Regional Office of Education reports the following fiduciary funds:

Agency Funds – Agency Funds are used to account for assets held by the Regional Office of Education #54 in a trustee capacity or as an agent for other governments. The Agency Fund is the Distributive Fund. It accounts for assets held by the Regional Office of Education #54 as an agent for the school districts within its region. This fund is custodial in nature and does not involve the measurement of the results of operations. The financial statements reflect modified accrual basis accounting in which the amounts due to school districts are equal to the assets.

Expendable Trust Fund – This fund is used to account for the resources held by the Regional Office of Education #54 as trustee for Vermilion County's Drug and Alcohol Abuse Prevention Program (DAAPP).

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Investments

State regulations require that Regional Office of Education #54 deposit funds under its control into accounts insured by the federal government, secured by substantial collateral, or into pooled investment trusts. All funds not needed for immediate disbursement are maintained in interest bearing accounts. The Regional Office of Education #54 considers certificates of deposit with an original maturity date greater than 90 days to be investments.

Statutes authorize the Regional Office of Education #54 to make deposits or invest in obligations of states and their political subdivisions, savings accounts, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Money Market Fund.

2. Interfund Transactions

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

3. Capital Assets

Capital assets are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Capital Assets (continued)

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

<u>Assets</u>	<u>Years</u>
Office Equipment	5-7
Computer Equipment	3

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

The majority of capital assets used by the Regional Office of Education #54 have been purchased by Vermilion County. These capital assets are property of Vermilion County and included in Vermilion County's financial statements. The Regional Office of Education #54 has not purchased any capital assets that meet its capitalization threshold.

4. Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in two components:

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. The reservation of fund balance in the Direct Services Fund shows an amount restricted for the Regional Office of Education #54's Schoolwork program.

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. New Accounting Pronouncement

The Regional Office of Education #54 has implemented the following new accounting pronouncements issued by the GASB effective for the fiscal year beginning July 1, 2005: Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* and Statement No. 46, *Net Assets Restricted by Enabling Legislation an Amendment of GASB Statement No. #34*. The Statements had no effect on the Regional Office of Education #54's net assets or changes in net assets.

2. BUDGETS AND BUDGETARY ACCOUNTING

The Regional Office of Education #54 did not adopt and was not legally required to adopt annual budgets for all funds under its control. Some annual budgets prepared were not based upon the same operating period; therefore, budgetary reports comparing budgeted to actual expenditures are not presented.

Budgets relating to programs funded by grants from the Illinois State Board of Education are prepared and submitted to the State Board as part of the grant awards process. The State Board must also approve amendments to these budgets. Grant project budgets are based on the award period. A budget versus actual statement has been presented for the Regional Safe Schools grant.

3. USE OF ESTIMATES

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

4. DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2006, the carrying amount of the Regional Office of Education #54's deposits was \$195,776 and the bank balance was \$594,488. The Regional Office of Education #54's deposits include a \$7,000 certificate of deposit which is reflected in the basic financial statements under the caption investments. Of the total bank balances as of June 30, 2006, \$136,842 was secured by federal depository insurance and \$457,646 was collateralized with securities held by the pledging financial institution's trust department in the Regional Office of Education #54's name.

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

NOTES TO THE FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

B. Investments

The Regional Office of Education #54 does not have a formal investments policy, as its only investments are internally pooled in the Illinois Funds Money Market Fund. As June 30, 2006, the Regional Office of Education #54 had investments with carrying and fair values of \$-0- 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 provisions 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.

5. DUE TO OTHER GOVERNMENTS

The Regional Office of Education #54's Agency Fund has funds due to the following governmental entities:

Due To Other Governments:

Local School Districts

\$ 755,157

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

NOTES TO THE FINANCIAL STATEMENTS

6. PENSION AND RETIREMENT COMMITMENTS

These financial statements relate information pertaining to the funds administered by the Regional Superintendent. All personnel of the Regional Office of Education #54's office receive their salaries from other sources. The Superintendent and the Assistant Superintendent receive their salaries directly from the Illinois State Board of Education. The other personnel are employees of Vermillion County. There are no pension disclosures to present. Pension disclosures for the Superintendent and Assistant Superintendent are included in the financial statements of the Illinois State Board of Education. Pension disclosures for other employees are included in the Vermilion County annual financial report.

7. SCHEDULE OF TRANSFERS

Transfers From Other Funds (Transfers In)	Transfers To Other Funds (Transfers Out)
Major Governmental Fund:	Agency Fund:
Direct services <u>\$ 14,631</u>	Distributive fund <u>\$ 14,631</u>

The transfers represent the amount of interest earned on the Distributive Fund checking account that was transferred to the Direct Services Fund during the fiscal year ended June 30, 2006.

8. RETENTION OF INTEREST INCOME

The Regional Superintendent has retained interest income earned on distributive funds passed through his office. The Regional Superintendent has spent this interest income for materials, supplies, and program expenses. Per an agreement dated March 14, 1988, all district superintendents within the Vermilion County region, with approval of their school boards, consented to allow retention of interest earned on such funds by the Regional Superintendent for uses that are in the best interest of the regional school districts. This agreement was retroactive to the inception of the investment program.

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

NOTES TO THE FINANCIAL STATEMENTS

9. ON-BEHALF PAYMENTS

The Regional Office of Education #54 has received on-behalf payments from the following governmental entities:

Vermilion County:

Office salaries and benefits	\$	75,667
Purchased services		9,714
Supplies		2,789

88,170

State of Illinois:

Regional Superintendent

Salary		84,737
Benefits		
(includes state paid insurance)		10,094

Assistant Regional Superintendent

Salary		34,689
Benefits		
(includes state paid insurance)		503

130,023

\$ 218,193

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

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

10. BOND

The 105 ILCS 5/3-2 directs the county board to execute a bond of not less than \$100,000 on the Regional Superintendent. The county board has secured and maintained such a bond with coverage of \$100,000 on the Regional Superintendent.

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

NOTES TO THE FINANCIAL STATEMENTS

11. RISK MANAGEMENT – CLAIMS AND JUDGEMENT

The Regional Office of Education #54 is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation; and natural disasters. The Regional Office of Education #54 is covered by commercial insurance provided by Vermilion County to cover these risks of loss. No settlements have exceeded insurance coverage in the current or three previous years.

12. CONTINGENCIES

The Regional Office of Education #54 has received funding from federal and state grants in the current and prior years which are subject to audits by granting agencies. The Regional Office of Education #54 believes any adjustments that may arise will be insignificant to Regional Office of Education #54 operations.

SUPPLEMENTAL INFORMATION

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 June 30, 2006

	<u>General State Aid</u>	<u>State Lunch</u>	<u>School Breakfast Incentive</u>	<u>Regional Safe Schools</u>
Assets	\$ -	\$ -	\$ -	\$ -
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balance	-	-	-	-
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

COMBINING SCHEDULE OF ACCOUNTS

EDUCATION FUND (continued)

June 30, 2006

	Breakfast Start Up	National School Lunch Program	School Breakfast Program	Total
Assets	\$ -	\$ -	\$ -	\$ -
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balance	-	-	-	-
Total liabilities and fund balance	\$ -	\$ -	\$ -	\$ -

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

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

	General State Aid	State Lunch	School Breakfast Incentive	Regional Safe Schools
Revenues:				
State sources	\$ 73,401	\$ 1,156	\$ 3,500	\$ 140,410
Federal sources	-	-	-	-
Total revenues	<u>73,401</u>	<u>1,156</u>	<u>3,500</u>	<u>140,410</u>
Expenditures:				
Payments to other governments	<u>73,401</u>	<u>1,156</u>	<u>3,500</u>	<u>140,410</u>
Excess of revenues over expenditures	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

EDUCATION FUND ACCOUNTS (continued)

For the year ended June 30, 2006

	Breakfast Start Up	National School Lunch Program	School Breakfast Program	Total
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ 218,467
Federal sources	2,700	13,377	6,051	22,128
Total revenues	2,700	13,377	6,051	240,595
Expenditures:				
Payments to other governments	2,700	13,377	6,051	240,595
Excess of revenues over expenditures	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
State sources	\$ 134,042	\$ 140,410	\$ 140,410	\$ -
Total revenues	134,042	140,410	140,410	-
Expenditures:				
Payments to other governments	134,042	140,410	140,410	-
Excess of revenues over expenditures	\$ -	\$ -	-	\$ -
Fund balance, beginning of year			-	
Fund balance, end of year			\$ -	

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2006

	<u>Bus Driver Training</u>	<u>Supervisory</u>	<u>Board of School Trustees</u>	<u>General Education Development</u>	<u>Total</u>
ASSETS					
Cash	\$ 3,116	\$ 2,575	\$ 3,234	\$ 18,088	\$ 27,013
Investments	-	-	7,000	-	7,000
Interest receivable	-	-	48	-	48
	<u>3,116</u>	<u>2,575</u>	<u>10,282</u>	<u>18,088</u>	<u>34,061</u>
Total assets	<u>\$ 3,116</u>	<u>\$ 2,575</u>	<u>\$ 10,282</u>	<u>\$ 18,088</u>	<u>\$ 34,061</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES					
Unreserved	<u>3,116</u>	<u>2,575</u>	<u>10,282</u>	<u>18,088</u>	<u>34,061</u>
Total liabilities and fund balances	<u>\$ 3,116</u>	<u>\$ 2,575</u>	<u>\$ 10,282</u>	<u>\$ 18,088</u>	<u>\$ 34,061</u>

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

For the year ended June 30, 2006

	Bus Driver Training	Supervisory	Board of School Trustees	General Education Development	Total
Revenues:					
Local sources	\$ 680	\$ -	\$ -	\$ 10,400	\$ 11,080
State sources	840	1,000	-	-	1,840
Interest	-	23	59	113	195
Total revenues	<u>1,520</u>	<u>1,023</u>	<u>59</u>	<u>10,513</u>	<u>13,115</u>
Expenditures:					
Purchased services	1,965	22	-	6,324	8,311
Supplies and materials	47	-	-	3,279	3,326
Other objects	-	-	45	-	45
Total expenditures	<u>2,012</u>	<u>22</u>	<u>45</u>	<u>9,603</u>	<u>11,682</u>
Excess (deficiency) of revenues over (under) expenditures	(492)	1,001	14	910	1,433
Fund balance, beginning of year	<u>3,608</u>	<u>1,574</u>	<u>10,268</u>	<u>17,178</u>	<u>32,628</u>
Fund balance, end of year	<u>\$ 3,116</u>	<u>\$ 2,575</u>	<u>\$ 10,282</u>	<u>\$ 18,088</u>	<u>\$ 34,061</u>

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND**

For the year ended June 30, 2006

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2006</u>
Distributive Fund:				
Assets				
Investments	\$ 295,802	\$ 64,985,740	\$ 65,281,542	\$ -
Due from other government	<u>-</u>	<u>65,281,542</u>	<u>64,526,385</u>	<u>755,157</u>
 Total assets	 <u>\$ 295,802</u>	 <u>\$ 130,267,282</u>	 <u>\$ 129,807,927</u>	 <u>\$ 755,157</u>
 Liabilities				
Due to other fund	\$ -	\$ 14,631	\$ 14,631	\$ -
Due to other governments	<u>295,802</u>	<u>65,740,897</u>	<u>65,281,542</u>	<u>755,157</u>
 Total liabilities	 <u>\$ 295,802</u>	 <u>\$ 65,755,528</u>	 <u>\$ 65,296,173</u>	 <u>\$ 755,157</u>

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

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

	Community Unit School District #1 Bismarck Illinois	Community Unit School District #2 Westville Illinois	Community Unit School District #4 Georgetown Ridge Farm Illinois	Community Unit School District #5 Catlin Illinois
Bus driver training	\$ -	\$ -	\$ -	\$ -
General state aid	2,343,845	5,060,025	4,721,320	1,633,757
Special education				
-private facilities	2,303	-	-	-
-extraordinary	26,618	85,714	29,771	38,217
-personnel	66,032	153,685	174,303	63,275
-orphanage	10,661	25,171	1,290	4,631
-summer	-	-	1,545	-
Vocational education	-	-	-	-
Free lunch and breakfast	3,163	12,851	9,135	1,226
School breakfast incentive	-	-	3,500	-
Transportation				
-regular	115,147	150,424	160,521	58,049
-special education	68,126	54,493	58,476	3,969
Truant alternative/optional ed.	-	-	-	-
Early Childhood	-	-	-	-
Reading improvement	22,477	51,531	47,574	13,838
Supervisory fund	-	-	-	-
ADA safety/ed block grant	28,417	39,556	37,314	17,265
Federal school lunch and breakfast program/commodities	85,566	184,836	175,436	35,372
Federal special milk	-	-	-	-
School breakfast program	-	36,362	6,807	-
Breakfast start up	-	-	2,700	-
Title I - low income	33,192	331,032	356,103	16,179
Title I - migrant program	-	-	-	-
Title I - comprehensive school reform	-	-	50,000	-
Title I - reading first	-	-	-	-
Drug free schools & communities	1,680	6,636	9,784	1,276
Special Ed - flow through	-	-	-	-
I.D.E.A. - flow through	-	-	-	-
I.D.E.A. - room/board	-	355	-	-
Title II - teacher quality	23,333	81,382	88,500	13,705
Technology - literacy challenge	-	7,904	6,251	300
Driver's education	7,920	10,387	9,844	4,875
Reorganization study	-	-	-	-
Summer bridges	-	-	-	-
Regional safe schools	-	-	-	-
Title V - innovative programs	2,242	3,422	4,496	1,229
Hurricane relief	-	-	-	12,000
Orphanage tuition	-	-	-	-
Transition assistance	-	-	-	-
National board certification initiatives	-	-	-	-
	<u>\$ 2,840,722</u>	<u>\$ 6,295,766</u>	<u>\$ 5,954,670</u>	<u>\$ 1,919,163</u>

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

**SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
DISTRIBUTIVE FUND (continued)
For the year ended June 30, 2006**

	Community Unit School District #7 Rossville Illinois	Community Unit School District #10 Potomac Illinois	Community Unit School District #11 Hoopeston Illinois	Community Unit School District #12 Jamaica Illinois
Bus driver training	\$ -	\$ -	\$ -	\$ -
General state aid	1,100,258	890,204	4,394,937	1,162,256
Special education				
-private facilities	-	-	38,675	4,286
-extraordinary	6,550	13,350	161,960	9,787
-personnel	25,313	14,801	157,438	49,325
-orphanage	-	6,491	14,232	4,631
-summer	-	-	2,123	744
Vocational education	-	-	-	-
Free lunch and breakfast	3,265	1,876	14,472	1,810
School breakfast incentive	-	3,500	244	-
Transportation				
-regular	121,258	19,081	144,386	132,530
-special education	38,412	34,195	60,562	29,430
Truant alternative/optional ed.	-	-	-	-
Early Childhood	-	-	-	-
Reading improvement	12,194	8,993	49,854	13,744
Supervisory fund	-	-	-	-
ADA safety/ed block grant	13,026	8,563	42,268	14,584
Federal school lunch and breakfast program/commodities	49,344	25,148	207,559	47,752
Federal special milk	-	417	1,765	-
School breakfast program	12,758	8,576	44,138	-
Breakfast start up	-	2,700	-	-
Title I - low income	75,854	57,507	287,465	41,438
Title I - migrant program	-	-	102,187	-
Title I - comprehensive school reform	-	-	-	-
Title I - reading first	-	-	-	-
Drug free schools & communities	992	1,307	6,067	2,205
Special Ed - flow through	-	-	-	-
I.D.E.A. - flow through	-	-	-	-
I.D.E.A. - room/board	-	-	78,302	-
Title II - teacher quality	8,903	10,782	76,668	14,627
Technology - literacy challenge	-	-	-	983
Driver's education	3,506	-	12,052	6,079
Reorganization study	-	-	-	-
Summer bridges	-	-	-	-
Regional safe schools	-	-	-	-
Title V - innovative programs	10,645	869	4,509	988
Hurricane relief	-	-	-	-
Orphanage tuition	-	-	-	-
Transition assistance	-	-	-	34,132
National board certification initiatives	-	-	-	-
	<u>\$ 1,482,278</u>	<u>\$ 1,108,360</u>	<u>\$ 5,901,863</u>	<u>\$ 1,571,331</u>

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
 DISTRIBUTIVE FUND (continued)
 For the year ended June 30, 2006

	Community Unit School District #61 Armstrong Ellis Illinois	Community Unit School District #76 Oakwood Illinois	Community Unit School District #118 Danville Illinois	Community Unit School District #225 Armstrong Illinois
Bus driver training	\$ -	\$ -	\$ -	\$ -
General state aid	247,415	3,413,370	20,558,428	117,460
Special education				
-private facilities	-	-	47,303	-
-extraordinary	9,469	24,604	783,452	2,816
-personnel	9,933	71,112	832,119	6,000
-orphanage	7,146	8,748	94,454	-
-summer	-	673	28,355	-
Vocational education	-	-	139,096	-
Free lunch and breakfast	909	5,146	112,801	629
School breakfast incentive	-	-	6,115	-
Transportation				
-regular	23,370	146,387	882,130	60,553
-special education	14,752	90,658	179,066	9,994
Truant alternative/optional ed.	-	-	122,434	-
Early Childhood	-	-	2,138,066	-
Reading improvement	7,597	38,062	291,443	-
Supervisory fund	-	-	-	-
ADA safety/ed block grant	3,970	36,185	190,718	3,232
Federal school lunch and breakfast program/commodities	15,714	110,986	1,325,491	18,334
Federal special milk	-	-	-	-
School breakfast program	3,700	-	429,803	-
Breakfast start up	-	-	-	-
Title I - low income	35,532	99,594	2,156,899	14,333
Title I - migrant program	-	-	-	-
Title I - comprehensive school reform	-	-	32,048	-
Title I - reading first	-	-	4,924	-
Drug free schools & communities	961	5,517	45,484	488
Special Ed - flow through	-	-	88,629	-
I.D.E.A. - flow through	-	-	1,661,594	-
I.D.E.A. - room/board	-	-	1,617	-
Title II - teacher quality	8,375	40,561	520,708	5,093
Technology - literacy challenge	-	2,451	58,415	-
Driver's education	-	9,206	41,006	7,531
Reorganization study	-	-	-	-
Summer bridges	-	5,356	181,588	-
Regional safe schools	-	-	-	-
Title V - innovative programs	504	3,500	23,676	335
Hurricane relief	-	-	30,000	-
Orphanage tuition	-	-	177,832	-
Transition assistance	2,454	-	-	-
National board certification initiatives	-	-	21,980	-
	<u>\$ 391,801</u>	<u>\$ 4,112,116</u>	<u>\$ 33,207,674</u>	<u>\$ 246,798</u>

VERMILION COUNTY REGIONAL OFFICE OF EDUCATION #54

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
 DISTRIBUTIVE FUND (continued)
 For the year ended June 30, 2006

	Vermilion County ROE #54	Total
Bus driver training	\$ 840	\$ 840
General state aid	73,401	45,716,676
Special education		
-private facilities	-	92,567
-extraordinary	-	1,192,308
-personnel	-	1,623,336
-orphanage	-	177,455
-summer	-	33,440
Vocational education	-	139,096
Free lunch and breakfast	1,221	168,504
School breakfast incentive	3,500	16,859
Transportation		
-regular	-	2,013,836
-special education	-	642,133
Truant alternative/optional ed.	-	122,434
Early Childhood	-	2,138,066
Reading improvement	-	557,307
Supervisory fund	1,000	1,000
ADA safety/ed block grant	-	435,098
Federal school lunch and breakfast program/commodities	13,377	2,294,915
Federal special milk	-	2,182
School breakfast program	6,051	548,195
Breakfast start up	2,700	8,100
Title I - low income	-	3,505,128
Title I - migrant program	-	102,187
Title I - comprehensive school reform	-	82,048
Title I - reading first	-	4,924
Drug free schools & communities	-	82,397
Special Ed - flow through	-	88,629
I.D.E.A. - flow through	-	1,661,594
I.D.E.A. - room/board	-	80,274
Title II - teacher quality	-	892,637
Technology - literacy challenge	-	76,304
Driver's education	-	112,406
Reorganization study	6,500	6,500
Summer bridges	-	186,944
Regional safe schools	140,410	140,410
Title V - innovative programs	-	56,415
Hurricane relief	-	42,000
Orphanage tuition	-	177,832
Transition assistance	-	36,586
National board certification initiatives	-	21,980
	<u>\$ 249,000</u>	<u>\$ 65,281,542</u>