

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

For the Two Years Ended December 31, 2005

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

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended December 31, 2005

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ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION

For the Two Years ended December 31, 2005

Commission Officials

Administration

Administrator	Mary Robinson
Deputy Administrator	Jerome Larkin
Director, Administrative Services	Marilynn Crossman

Commissioners

Chairman	Benedict Schwartz, II
Commissioner	Donn F. Bailey
Commissioner	Patricia C. Bobb
Commissioner	John R. Carroll
Commissioner	R. Michael Henderson
Commissioner	John P. Kujawski
Commissioner	Brian McFadden

Commission offices are located at:

130 East Randolph Drive
Chicago, IL 60601



ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
of the
SUPREME COURT OF ILLINOIS

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Fax (312) 565-2320

One North Old Capitol Plaza, Suite 333
Springfield, IL 62701
(217) 522-6838 (800) 252-8048
Fax (217) 522-2417

March 24, 2006

Hill, Taylor LLC
116 S. Michigan, 11th Floor
Chicago, IL 60603

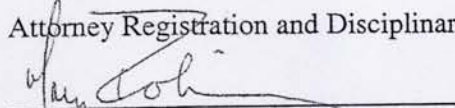
Ladies and Gentlemen:


We are responsible for the identification of, and compliance with, all aspects of laws, regulations, or contracts that could have a material effect on the operations of the Attorney Registration and Disciplinary Commission (Commission). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We assert that during the year(s) ended December 31, 2005 and December 31, 2004, the Commission has materially complied with the assertions below.

- A. The Commission has received and used fees in accordance with the purpose for which such fees have been collected or otherwise authorized by law.
- B. The Commission has received and used fees in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Commission has complied, in all material respects, with applicable laws and regulations, in its financial and fiscal operations.
- D. The revenues and receipts collected by the Commission are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the Commission or held in trust by the Commission have been property and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Attorney Registration and Disciplinary Commission


Mary Robinson, Administrator


Marilynn Crossman, Director, Adm. Services

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended December 31, 2005

COMPLIANCE REPORT

SUMMARY

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

AUDITORS' REPORT

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	0	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

There were no findings noted in our testing which are required to be included in the report.

SCHEDULE OF FINDINGS

CURRENT FINDINGS

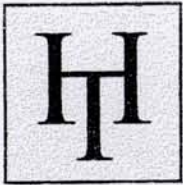
NONE

PRIOR YEAR FINDINGS NOT REPEATED

NONE

EXIT CONFERENCE

Commission management waived having an exit conference per a letter dated April 21, 2006.



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**INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Attorney Registration and Disciplinary Commission's (Commission) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the years ended December 31, 2005 and 2004. The management of the Commission is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Commission's compliance based on our examination.

- A. The Commission has received and used fees in accordance with the purpose for which such fees have been collected or otherwise authorized by law.
- B. The Commission has received and used fees in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such fees.
- C. The Commission has complied, in all material respects, with applicable laws and regulations, in its financial and fiscal operations.
- D. The fees collected by the Commission are in accordance with applicable laws and regulations and the accounting and recordkeeping of such fees is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Commission or held in trust by the Commission have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included

examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Commission's compliance with specified requirements.

In our opinion, the Commission complied, in all material respects, with the aforementioned requirements during the years ended December 31, 2005 and 2004. The results of our procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General. There were no immaterial findings relating to instances of noncompliance that have been excluded from this report.

Internal Control

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the Commission's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined 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 internal control over compliance that we consider to be material weaknesses. The results of our procedures disclosed no matters involving internal control which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General. There were no immaterial findings relating to internal control deficiencies that have been excluded from this report.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the Commission as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 24, 2006. The accompanying supplementary information, as listed in the table of contents as Supplementary Information, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Commission. The 2005 and 2004 Supplementary Information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to

the basic financial statements for the years ended December 31, 2005 and 2004, taken as a whole. The Commission's financial statements for the years ended December 31, 2003 and 2002 were audited by other auditors whose report dated March 31, 2004, expressed an unqualified opinion on the respective financial statements and Supplementary Information, except for the portion marked "unaudited".

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Illinois Supreme Court, and Commission management, and is not intended to be and should not be used by anyone other than these specified parties.

Hill, Taylor UC

March 24, 2006

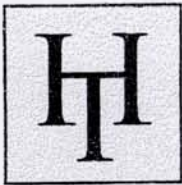
STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended December 31, 2005

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Attorney Registration and Disciplinary Commission was performed by Hill, Taylor LLC, CPAs.

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



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Illinois CPA Society

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the Attorney Registration and Disciplinary Commission (Commission), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Commission's financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission, as of December 31, 2005 and 2004, and the results of its operations and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Statements of Functional Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The Statements of Functional Expenses have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, and Commission management, and is not intended to be and should not be used by anyone other than these specified parties.

Hill, Taylor UC

March 24, 2006

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2005 AND 2004

	2005	2004
ASSETS		
Current assets		
Cash and cash equivalents	\$ 10,002	\$ 76,289
Short-term investments	20,104,806	19,460,586
Accrued interest receivable	83,821	42,546
Accounts receivable	20,765	5,695
Prepaid expenses and other assets	90,251	93,987
Total current assets	20,309,645	19,679,103
Property and equipment - net	538,839	549,026
Long-term investments	430,767	329,841
Total assets	\$ 21,279,251	\$ 20,557,970
 LIABILITIES AND NET ASSETS		
Current liabilities		
Cash overdraft	\$ 496,601	\$ -
Accounts payable and other accruals	1,109,135	758,239
Amounts held for others	1,789,210	1,070,801
Accrued vacation	282,126	271,969
Deferred registration fees	8,980,628	9,550,170
Deposits	11,382	7,728
Total current liabilities	12,669,082	11,658,907
Long-term liabilities		
Accrued Medicare replacement funding	1,394,683	1,239,665
Deferred rent expense	2,189,596	2,190,668
Total long-term liabilities	3,584,279	3,430,333
Total liabilities	16,253,361	15,089,240
Unrestricted net assets	5,025,890	5,468,730
Total liabilities and net assets	\$ 21,279,251	\$ 20,557,970

See notes to the financial statements.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
REVENUE		
Registration fees and delinquent charges	\$ 12,158,815	\$ 11,897,576
Investment income		
Interest	463,744	281,816
Net unrealized depreciation of investments	<u>(10,906)</u>	<u>(86,014)</u>
Total investment income	452,838	195,802
Cost reimbursements collected	128,036	106,223
Client protection reimbursements	<u>34,785</u>	<u>30,041</u>
Total revenue	<u>12,774,474</u>	<u>12,229,642</u>
EXPENDITURES		
Salaries and related expenses	8,688,348	8,522,136
Travel expenses	105,353	96,862
Library and continuing education	152,474	179,152
General expenses and office support	1,953,714	1,953,849
Computer expenses	212,009	137,304
Other professional and case-related expenses	983,152	967,780
Client protection program payments	951,173	617,772
Depreciation and amortization expense	<u>171,091</u>	<u>198,430</u>
Total expenditures	<u>13,217,314</u>	<u>12,673,285</u>
Decrease in net assets	(442,840)	(443,643)
Unrestricted net assets		
Beginning of year	<u>5,468,730</u>	<u>5,912,373</u>
End of year	<u>\$ 5,025,890</u>	<u>\$ 5,468,730</u>

See notes to the financial statements.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities		
Decrease in net assets	\$ (442,840)	\$ (443,643)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Net unrealized depreciation of investments	10,906	86,014
Depreciation and amortization expense	171,091	198,430
Investment security amortization	(5,729)	(69,072)
(Increase) decrease in assets		
Accounts receivable and accrued interest receivable	(56,345)	(9,408)
Prepaid expenses and other assets	3,736	(27,453)
Increase (decrease) in liabilities		
Accounts payable and other accruals	350,896	395,968
Amounts held for others	718,409	104,993
Accrued vacation	10,157	16,027
Deferred registration fees	(569,542)	336,836
Deposits	3,654	(2,390)
Accrued Medicare replacement funding	155,018	117,658
Deferred rent expense	(1,072)	32,783
Net cash provided by operating activities	<u>348,339</u>	<u>736,743</u>
Cash flows from investing activities		
Purchases of investment securities	(31,168,842)	(27,610,253)
Maturities of investment securities	30,418,519	26,922,840
Acquisitions of property and equipment	(160,904)	(237,274)
Net cash (used in) investing activities	<u>(911,227)</u>	<u>(924,687)</u>
Cash flows from financing activities		
Cash overdraft	<u>496,601</u>	<u>-</u>
Net decrease in cash and cash equivalents	(66,287)	(187,944)
Cash and cash equivalents		
Beginning of year	<u>76,289</u>	<u>264,233</u>
End of year	<u>\$ 10,002</u>	<u>\$ 76,289</u>

See notes to the financial statements.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
TWO YEARS ENDED DECEMBER 31, 2005

1. **General Purpose Description**

Nature of Activities

The Attorney Registration and Disciplinary Commission (Commission) was appointed by the Illinois Supreme Court (the Court) under Rules 751 through 756 of the Court effective February 1, 1973, and subsequent additional rules and amendments. The purpose of the Commission and the Office of the Administrator is to maintain the Master Roll of Attorneys, and to investigate and prosecute claims against Illinois attorneys whose conduct might tend to defeat the administration of justice or bring the Court or the legal profession into disrepute.

Organization Structure

Seven commissioners appointed by the Illinois Supreme Court direct the Commission. Four of these appointees are attorneys; three are public members. The Commissioners appoint, with the approval of the Court, the Administrator of the Commission; oversee the collection and administration of funds; develop rules for disciplinary proceedings and appoint attorney and lay members of the Hearing and Inquiry Boards that are involved in disciplinary matters.

The Administrator is the principal executive officer of the Commission. The Administrator's responsibilities include directing the disciplinary system, monitoring the registration of attorneys, collection of annual registration fees, overseeing the investigation of charges of misconduct and the prosecution of disciplinary cases. The Administrator directs a staff to meet these responsibilities.

Amendments to those rules and additional significant rules of the court impacting the Commission's operations are as follows:

- Rule 756, as amended effective September 29, 2005, increased the annual registration fees for active lawyers licensed to practice law for three years or more from \$229 to \$239. As amended, the Rule provides that the Commission collect \$10 to be remitted to the Supreme Court Commission on Professionalism. The Rule also provides that \$7 is to be remitted to the Lawyers Assistance Program Fund, and \$42 is to be remitted to the Lawyers Trust Fund. Rule 751(e)(6) as amended, imposes the duty to collect the above fees and remit them to the respective entities.

STATE OF ILLINOIS

ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

TWO YEARS ENDED DECEMBER 31, 2005

1. **General Purpose Description (Continued)**

Organization Structure (Continued)

- Rule 773, as amended, provides that an attorney-respondent has a duty to pay certain costs associated with the disciplinary proceedings against the attorney-respondent, including witness fees, court reporting expenses, expert fees and document duplication fees. The Commission is limited to collection of \$1,000 for cost reimbursements, absent exceptional circumstances (note 4).
- Rule 769 provides that every attorney has a duty to retain all financial records related to the attorney's practice for a period of not less than seven years.
- Rule 780 establishes the Client Protection Program to reimburse claimants for losses caused by the dishonest conduct of Illinois lawyers. Pursuant to section (d) of the rule, the Commission annually allocates an amount of money to pay these claims.

2. **Summary of Significant Accounting Policies**

Basis of Accounting

The accompanying financial statements of the Commission have been prepared on the accrual basis of accounting.

Basis of Presentation

The Commission reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Commission does not have any temporarily restricted or permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include all deposits in checking and saving accounts. Money market accounts and cash balances held in investment trust accounts are not considered cash equivalents since the Commission intends to reinvest these funds.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

TWO YEARS ENDED DECEMBER 31, 2005

2. **Summary of Significant Accounting Policies (Continued)**

Accounts Receivable—Cost Reimbursements and Client Protection Program Reimbursements

The Commission fully reserves reimbursements owed by attorneys under the Cost Reimbursement Program and Client Protection Program. Whether the Commission can fully collect all reimbursements is dependent upon each identified attorney's ability to pay and the current economic environment. Therefore, the Commission records these reimbursements as revenue under the cost recovery method when the reimbursements are received.

Investments

Investments are stated at fair value, which generally represents quoted market value as of the last business day of the year. Investments in money market accounts are carried at cost, which approximates market value. For U.S. Treasury bills, the difference between the cost and fair value is recorded as interest income.

Property and Equipment

Property and equipment are stated at cost. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation and amortization are provided over the estimated useful lives of the assets or asset groups, principally on the straight-line method. Upon disposal of assets, gains or losses related to dispositions are included in current year operations. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining lease period.

The estimated useful lives of the property and equipment are as follows:

Computer and related equipment	3 years
Office furniture and equipment	5 years
Library	7 years
Leasehold improvements	7 to 15 years

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

TWO YEARS ENDED DECEMBER 31, 2005

2. **Summary of Significant Accounting Policies (Continued)**

Accrued Compensated Absences

The Commission's vacation policy provides time off for full-time salaried employees based on years of service. Years of service are computed from each employee's anniversary date of employment. Employees are permitted to carry over 5 days vacation time for 90 days from year to year. Any vacation days remaining unused after 90 days will be forfeited. An accrual is included in the financial statements representing vacation time earned, but unused at December 31, 2005 and 2004, along with the Commission's related retirement contribution.

Amounts Held for Others

Amounts held for others at the year-end were as follows:

	2005	2004
Lawyers Assistance Program	\$ 191,443	\$ 152,881
Lawyers Trust Fund	1,149,071	917,920
Supreme Court Commission on Professionalism	448,696	-
	\$ 1,789,210	\$ 1,070,801

These amounts collected for others were remitted subsequent to the year-end.

Deferred Registration Fees

The Commission is funded by an annual registration fee assessed on Illinois attorneys. The annual fee for the subsequent year is billed before November 1 and is due January 1. Deferred registration fees represent the fees for next year received in the current year.

Deposits

Portions of these funds are the reinstatement deposits that accompany the petition of any attorney who is filing reinstatements under Rule 767. The amount the attorney actually owes

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

TWO YEARS ENDED DECEMBER 31, 2005

2. **Summary of Significant Accounting Policies (Continued)**

Deposits (Continued)

will be assessed at the conclusion of the proceedings. Reinstatement deposits held at December 31, 2005 and 2004 are \$4,500 and \$3,000 respectively. The remaining deposits consist of funds owed by any attorney, who has been subject of a disciplinary proceeding or who is in receivership, to the attorney's former clients who have not been located. At December 31, 2005 and 2004, the amounts held are \$6,882 and \$4,728 respectively.

Deferred Rent Expense

The Chicago office lease described in Note 5 includes a cash payment, a free rent period, and escalating rents. The Commission recognized rent expense related to its office space on a straight-line basis over the lease term. A deferred rent concession liability has been recognized for the difference between cash outlays for rent and rent expense.

Use of Estimates

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

Concentrations of Risk

The Commission maintains most of its cash and money market funds at the Bank. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash was fully covered by FDIC insurance at December 31, 2005 and 2004. All investment transactions are handled by the bank's trust department. All investment securities are held in safekeeping at the banks' trust department.

Income Taxes

The Internal Revenue Service has determined that the Commission is exempt from Federal income taxes as an instrumentality of the State of Illinois.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

TWO YEARS ENDED DECEMBER 31, 2005

2. **Summary of Significant Accounting Policies (Continued)**

Functional Expense Allocations

The cost of providing the programs and administrative services have been summarized on a functional basis in the supplemental statements of functional expense. The Commission allocates certain common expenses based on management's estimate of time incurred on these programs or other reasonable and consistent methodology.

3. **Investments**

Investments at December 31, 2005 and 2004 consist of the following:

<u>2005</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
U.S. Treasury notes, short-term	\$ 17,148,578	\$ 17,156,883	\$ 8,305
ABN-AMRO money market fund	2,947,923	2,947,923	-
U.S. Treasury notes, long-term	<u>423,214</u>	<u>430,767</u>	<u>7,553</u>
Total	<u>\$ 20,519,715</u>	<u>\$ 20,535,573</u>	<u>\$ 15,858</u>
<u>2004</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
U.S. Treasury notes, short-term	\$ 17,043,627	\$ 17,044,634	\$ 1,007
ABN-AMRO money market fund	2,415,952	2,415,952	-
U.S. Treasury notes, long-term	<u>308,538</u>	<u>329,841</u>	<u>21,303</u>
Total	<u>\$ 19,768,117</u>	<u>\$ 19,790,427</u>	<u>\$ 22,310</u>

STATE OF ILLINOIS
 ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

TWO YEARS ENDED DECEMBER 31, 2005

3. **Investments (Continued)**

Short-term investments are readily liquid investments that mature within one year. Long-term investments are holdings with maturities in excess of one year.

The following table lists the maturities of securities held at December 31, 2005 and 2004:

	<u>2005</u>		<u>2004</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Due on demand in one year or less	\$ 20,096,501	\$ 20,104,806	\$ 19,459,580	\$ 19,460,586
Due after one year to five years	423,214	430,767	175,328	186,719
Due after five years	-	-	133,209	143,122
Total	<u>\$ 20,519,715</u>	<u>\$ 20,535,573</u>	<u>\$ 19,768,117</u>	<u>\$ 19,790,427</u>

Commission Designated Amounts

The following funds represents Commission designated amounts set aside to fund payment of post-retirement benefits at December 31, 2005 and 2004 as stated in Note 6.

<u>2005</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
U.S. Treasury notes, short-term	\$ 848,542	\$ 856,847	\$ 8,305
ABN-AMRO money market fund	6,397	6,397	-
U.S. Treasury notes, long-term	<u>423,214</u>	<u>430,767</u>	<u>7,553</u>
Total	<u>\$ 1,278,153</u>	<u>\$ 1,294,011</u>	<u>\$ 15,858</u>

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

TWO YEARS ENDED DECEMBER 31, 2005

3. **Investments (Continued)**

<u>2004</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
U.S. Treasury notes, short-term	\$ 423,742	\$ 424,750	\$ 1,008
ABN-AMRO money market fund	440,560	440,560	-
U.S. Treasury notes, long-term	<u>308,538</u>	<u>329,841</u>	<u>21,303</u>
Total	<u>\$ 1,172,840</u>	<u>\$ 1,195,151</u>	<u>\$ 22,311</u>

Investment return is summarized as follows:

	<u>2005</u>	<u>2004</u>
Interest income	\$ 463,744	\$ 281,816
Unrealized gain/(loss) on investments	<u>(10,906)</u>	<u>(86,014)</u>
Total investment return	<u>\$ 452,838</u>	<u>\$ 195,802</u>

4. **Costs Reimbursements**

The Commission receives cost reimbursements for investigative and disciplinary costs from disciplined attorneys. Cost reimbursement is billed at the time that discipline is imposed by the Illinois Supreme Court, but may not be a total reimbursement of the investigative and disciplinary costs or match the time period in which they were incurred. The Commission is limited to \$1,000 in cost reimbursement for each disciplined attorney, absent exceptional circumstances. During the years ended December 31, 2005 and 2004, the Commission regularly sought entry of judgments by the Illinois Supreme Court with interest at the rate charged by the State of Illinois for all invoices not paid within 30 days of the initial billing. This interest rate was 9% for both 2005 and 2004. The Commission has also established payment plans for disciplined attorneys.

Whether the Commission can fully collect all cost reimbursements is dependent upon, among other things, the Commission's on-going experience in collecting these reimbursements,

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

TWO YEARS ENDED DECEMBER 31, 2005

4. **Costs Reimbursements - Continued**

information about the ability of the disciplined attorney to pay, and appraisal of the reimbursements considering the current economic environment. Therefore, the Commission records cost reimbursements as revenue under the cost recovery method when the reimbursement are received. The Commission collected \$128,036 and \$106,223 in such cost reimbursements in fiscal years 2005 and 2004, respectively.

5. **Lease Commitments**

Lease Commission leases its Chicago and Springfield offices under operating lease agreements. The Chicago office lease expires in May 2015. This lease provides for a minimum annual base rent plus related taxes and operating expenses. In addition, the lease provided 32 months "free rent" with the first rent payment made on January 1, 1996. Under the terms of an amendment, base rent was reduced from December 2003 through May 2008 and the landlord will provide certain rent concessions that will be available during the period from June 2008 to May 2009.

The Springfield office lease, which began in November 2002, has a term of 10 years and provides for a minimum annual rent. The lease gives the Commission the option to renew the lease for an additional five-year period.

Rent expense under all lease agreements was \$1,217,924 in 2005 and \$1,227,680 in 2004.

Future minimum lease payments, including estimated liability for taxes and operating expenses, relating to lease agreements in excess of one year are as follows:

	<u>Springfield</u>	<u>Chicago</u>	<u>Total</u>
Year ending December 31,			
2006	\$ 87,636	\$ 1,147,930	\$ 1,235,566
2007	87,924	1,184,199	1,272,123
2008	89,364	1,138,709	1,228,073
2009	89,652	1,200,739	1,290,391
2010	91,092	1,376,221	1,467,313
Remaining	<u>168,742</u>	<u>6,612,409</u>	<u>6,781,151</u>
	<u>\$ 614,410</u>	<u>\$ 12,660,207</u>	<u>\$ 13,274,617</u>

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

TWO YEARS ENDED DECEMBER 31, 2005

6. **Medicare Replacement Reserve Trust**

On August 9, 1985, the Commission formed a trust to replace the Medicare coverage lost by its employees when the Social Security Administration ruled that Commission employees were ineligible for benefits.

Previously, the Commission had committed to pay the future cost of Medicare premiums for former employees employed by the Commission who met certain criteria before March 31, 1986. Furthermore, the Commission agreed to pay eligible former employees' reimbursement credits for supplemental medical and hospitalization insurance coverage beginning at age 65. Therefore, the Commission records a liability associated with its employees' lost Medicare coverage and supplemental health benefits for retirees.

The Commission engages the services of an actuary to compute the liability every other year. However, the Commission records an estimated expense annually.

A summary of actuarial assumptions and methods as of the last measurement date is as follows:

Measurement date	January 1, 2005
Actuarial cost method	Projected unit credit method
Actuarial assumptions	Mortality – 1994 GAR Discount rate – 5.5% (2005), 6.5% (2004) Expected return on assets – 5.5% (2005), 6.5% (2004) Retirement will occur between ages 55 and 65

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

TWO YEARS ENDED DECEMBER 31, 2005

6. **Medicare Replacement Reserve Trust (Continued)**

	<u>2005</u>	<u>2004</u>
Actuarial valuation:		
Net periodic postretirement benefit cost:		
Service cost	\$ 70,415	\$ 56,358
Interest cost	83,673	68,177
Amortization	7,965	-
Expected return	(65,540)	(66,621)
Expected benefit payments	<u>(7,035)</u>	<u>(6,877)</u>
	<u>\$ 89,478</u>	<u>\$ 51,037</u>
	<u>2005</u>	<u>2004</u>
Accumulated postretirement benefit obligations:		
Benefit obligation, January 1, 2005:	\$ 1,239,665	\$ 1,122,007
Service cost	70,415	56,358
Interest cost	83,673	68,177
Amortization	7,965	-
Benefits paid	<u>(7,035)</u>	<u>(6,877)</u>
Benefit obligation, December 31, 2005	<u>\$ 1,394,683</u>	<u>\$ 1,239,665</u>

The accrued Medicare replacement funding liability at December 31, 2005 and 2004 represents:

	<u>2005</u>	<u>2004</u>
Actuarially determined benefit obligation at January 1,	\$ 1,239,665	\$ 1,122,007
Benefit expense for the year end	<u>155,018</u>	<u>117,658</u>
Estimated benefit obligation at December 31	<u>\$ 1,394,683</u>	<u>\$ 1,239,665</u>

The Commission maintains a separate trust for the Medicare replacement reserve to fund the retirees' health benefits. The Trust is not restricted through a formal trust document solely for

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

TWO YEARS ENDED DECEMBER 31, 2005

6. **Medicare Replacement Reserve Trust (Continued)**

post retirement benefits. The trust fund assets are included in the Commission's investments (see Note 3). The trust fund's assets at fair value at December 31, 2005 and 2004 are as follows:

	2005	2004
U.S. Treasury notes and bills	\$ 1,287,614	\$ 754,591
Money market account	6,397	440,560
Accrued interest receivable	5,922	6,894
	\$ 1,299,933	\$ 1,202,045

The liability will increase or decrease in future years due to changes in eligible employees, benefits paid, and possible changes in assumptions based on experience factors and applicable discount rates.

7. **Employee Benefit Plan**

The Commission maintains a defined contribution retirement plan and trust for the benefit of all eligible employees. Based on the decision of the Social Security Administration as discussed in Note 6, the Commission enhanced employees' retirement benefits. Employee contributions are not permitted under the plan's provisions. The Commission contributes 18% of compensation for eligible employees, which totaled \$1,148,472 in 2005 and \$1,129,707 in 2004. The Commission also pays the plan's administrative expenses, which totaled \$82,360 in 2005 and \$88,538 in 2004.

The Commission also maintains a Section 357 savings plan which is entirely funded by voluntary pre-tax employee contributions. The Commission paid the savings plan's administrative expenses, which totaled \$3,050 in 2005 and \$2,650 in 2004.

8. **Litigation**

Various complaints and actions have been filed against the Commission. However, the Commission believes that pending matters do not present any serious prospect of negative financial consequences at December 31, 2005 and 2004.

SUPPLEMENTAL INFORMATION

STATE OF ILLINOIS
 ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
 SUPPLEMENTAL STATEMENTS OF FUNCTIONAL EXPENSES
 YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005			Total Expenses
	Registration and Discipline	Client Protection Program	Administration and Support	
Salaries and related costs	\$ 7,125,746	\$ 193,768	\$ 1,368,834	\$ 8,688,348
Travel	78,902	1,134	25,317	105,353
Library and continuing education	124,264	3,527	24,683	152,474
General office and occupancy	1,606,855	43,364	303,495	1,953,714
Computer	172,785	4,904	34,320	212,009
Other professional and case related expenses	944,138	2,206	36,808	983,152
Client protection program claims	-	951,173	-	951,173
Depreciation	139,438	3,957	27,696	171,091
Total Expenses	\$ 10,192,128	\$ 1,204,033	\$ 1,821,153	\$ 13,217,314

	2004			Total Expenses
	Registration and Discipline	Client Protection Program	Administration and Support	
Salaries and related costs	\$ 6,987,920	\$ 198,237	\$ 1,335,979	\$ 8,522,136
Travel	74,550	1,056	21,256	96,862
Library and continuing education	146,128	4,128	28,896	179,152
General office and office support	1,606,396	43,429	304,024	1,953,849
Computer	111,994	3,163	22,147	137,304
Other professional and case related expenses	911,138	2,782	53,860	967,780
Client protection program claims	-	617,772	-	617,772
Depreciation	161,853	4,572	32,005	198,430
Total Expenses	\$ 9,999,979	\$ 875,139	\$ 1,798,167	\$ 12,673,285

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended December 31, 2005

SUPPLEMENTARY INFORMATION

SUMMARY

Supplementary Information presented in this section of the report includes the following:

Fiscal Schedules and Analysis:

Schedule of Changes in Property and Equipment

Comparative Schedule of Cash Receipts

Comparative Schedule of Expenditures

Analysis of Significant Variations in Receipts and Expenditures

Analysis of Operation

Agency Functions and Planning Program

Average Number of Employees

Service Efforts and Accomplishments (Unaudited)

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, except for that portion marked "unaudited", on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2005 AND 2004

Schedule of Changes in Property and Equipment - At Cost

	Balance January 1, 2005	Acquisitions	Dispositions	Balance December 31, 2005
Office furniture and equipment	\$ 1,315,002	\$ 40,441	\$ 39,134	\$ 1,316,309
Computer and related equipment	706,881	75,045	36,629	745,297
Library	56,682	11,531	4,719	63,494
Leasehold improvements	316,081	33,899	-	349,980
	<u>2,394,646</u>	<u>\$ 160,916</u>	<u>\$ 80,482</u>	<u>2,475,080</u>
Accumulated depreciation	(1,845,620)			(1,936,241)
Property and equipment, net	<u>\$ 549,026</u>			<u>\$ 538,839</u>

	Balance January 1, 2004	Acquisitions	Dispositions	Balance December 31, 2004
Office furniture and equipment	\$ 1,612,674	\$ 20,915	\$ 318,587	\$ 1,315,002
Computer and related equipment	752,581	88,845	134,545	706,881
Library	53,704	9,126	6,148	56,682
Leasehold improvements	197,693	118,388	-	316,081
	<u>2,616,652</u>	<u>\$ 237,274</u>	<u>\$ 459,280</u>	<u>2,394,646</u>
Accumulated depreciation	(2,106,470)			(1,845,620)
Property and equipment, net	<u>\$ 510,182</u>			<u>\$ 549,026</u>

STATE OF ILLINOIS
 ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
 SUPPLEMENTARY INFORMATION
 YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
COMPARATIVE SCHEDULE OF CASH RECEIPTS - EXCLUDING INVESTMENT PROCEEDS			
Accrual Basis:			
Registration fees and delinquent charges	\$ 12,158,815	\$ 11,897,576	\$ 11,716,104
Investment income			
Interest	461,504	281,816	272,336
Net unrealized (depreciation) of investments	(10,906)	(86,014)	(83,150)
Costs reimbursements collected	128,036	106,223	65,374
Client protection reimbursements	34,785	30,041	-
Miscellaneous	2,240	-	1,293
Total revenue (accrual basis)	<u>12,774,474</u>	<u>12,229,642</u>	<u>11,971,957</u>
Plus: Deferred fees - end of year	8,980,628	9,550,170	9,213,334
Interest receivable - beginning of year	152,345	207,269	152,345
Accounts receivable - beginning of year	-	-	-
Deposits	-	-	521
Less: Deferred fees - beginning of year	(9,550,170)	(9,213,334)	(8,907,040)
Interest receivable - end of year	(207,269)	(152,345)	(207,269)
Accounts receivable - end of year	-	-	-
Deposits	-	-	-
Total receipts (cash basis)	<u>\$ 12,150,008</u>	<u>\$ 12,621,402</u>	<u>\$ 12,223,848</u>

STATE OF ILLINOIS

ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION

SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

	2005	2004	2003
COMPARATIVE SCHEDULE OF EXPENDITURES			
Salaries and related expenses:			
Full-time staff	\$ 6,390,548	\$ 6,292,171	\$ 5,928,735
Temporary help	84,830	78,601	75,962
Employment taxes	97,059	86,529	78,958
Employee group insurance	812,421	810,593	772,710
Postretirement benefits	155,018	124,535	124,535
Retirement plan	1,148,472	1,129,707	1,061,651
Total salaries and related expenses	<u>8,688,348</u>	<u>8,522,136</u>	<u>8,042,551</u>
Travel expenses:			
Staff	14,252	13,347	17,814
Vehicles	34,769	32,465	35,640
Commissioners	17,382	13,868	19,051
Review board	12,879	10,692	9,027
Hearing board	24,480	24,802	21,939
Inquiry and oversight boards	1,591	1,688	1,779
Total travel expenses	<u>105,353</u>	<u>96,862</u>	<u>105,250</u>
Library and continuing education	152,474	179,152	173,191
General expenses and office support:			
Office rent	1,217,924	1,227,681	1,057,305
Utilities and maintenance	55,940	58,130	59,930
Telephone	95,158	99,671	93,623
Insurance general	92,982	94,608	101,207
Postage	162,990	143,417	152,334
Equipment rental and maintenance	58,907	57,185	74,765
Office supplies and expense	195,821	192,180	206,672
Stationery and forms	53,752	63,417	48,055
Publications	20,240	17,560	22,071
Total general expenses and office support	<u>1,953,714</u>	<u>1,953,849</u>	<u>1,815,962</u>
Computer expense	<u>212,009</u>	<u>137,304</u>	<u>153,814</u>

STATE OF ILLINOIS
 ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
 SUPPLEMENTARY INFORMATION
 YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
COMPARATIVE SCHEDULE OF EXPENDITURES			
(CONTINUED)			
Other professional and case-related expenses			
Auditing	\$ 13,000	\$ 32,221	\$ 19,452
Retirement plan and trust expense	82,360	88,538	99,313
Consultants and fees	19,371	34,383	7,850
Court reporting	277,967	287,085	327,733
Other independent contractors	307,062	375,746	304,754
Witness fees - professional	229,083	110,793	139,511
Witness fees - other	17,604	13,989	18,237
Duplication of records	36,705	25,025	25,273
Total other professional and case-related expenses	<u>983,152</u>	<u>967,780</u>	<u>942,123</u>
Client protection program payments	<u>951,173</u>	<u>617,772</u>	<u>477,595</u>
Depreciation and amortization expense	<u>171,091</u>	<u>198,430</u>	<u>180,641</u>
Total expenditures	<u>\$ 13,217,314</u>	<u>\$ 12,673,285</u>	<u>\$ 11,891,127</u>

STATE OF ILLINOIS
 ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
 ANALYSIS OF VARIATIONS IN RECEIPTS AND EXPENDITURES
 FOR THE TWO YEARS ENDED DECEMBER 31, 2005

A comparative schedule of significant variations in receipts and expenses +/- 20% and +/- \$30,000 for the year ended December 31, 2005 is shown below:

	2005	2004	Variance	
			\$	%
Receipts				
Interest	\$ 461,504	\$ 281,816	\$ 179,688	64%
Net unrealized (depreciation) of investments	(10,906)	(86,014)	75,108	87%
Expenses				
Postretirement benefits	155,018	124,535	30,483	24%
Computer expense	212,009	137,304	74,705	54%
Witness fees - professional	229,083	110,793	118,290	107%
Client protection program payments	951,173	617,772	333,401	54%

The Commission's management provided the following explanations for the significant variations identified above.

Interest

The increase in interest for 2005 compared to 2004 was due to an increase in interest rates, resulting in an increase in returns.

Net unrealized (depreciation) of investments

The decrease in net unrealized depreciation of investments for 2005 compared to 2004 was due to investments consisting of US Treasury bills only in 2005, instead of notes and bills. Therefore, resulting in a decrease in net unrealized depreciation in 2005.

Postretirement benefits

The increase in postretirement benefits for 2005 compared to 2004 was due to an increase in rates and participant's age.

Computer expenses

The increase in computer expenses for 2005 compared to 2004 was due to a \$70,000 expense for hiring a computer consultant to move the Commission's website and to complete on-line registration for attorneys for the 2006 billing.

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
ANALYSIS OF VARIATIONS IN RECEIPTS AND EXPENDITURES
FOR THE TWO YEARS ENDED DECEMBER 31, 2005

Witness fees - professionals

The increase in witness fees – professional expense for 2005 compared to 2004 was due to an increase in psychological evaluations needed for abuse, alcohol, and drug related cases.

Client protection program payments

The increase in client protection program payments for 2005 compared to 2004 was due to an increase in claims in 2005.

STATE OF ILLINOIS
 ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
 ANALYSIS OF VARIATIONS IN RECEIPTS AND EXPENDITURES
 FOR THE TWO YEARS ENDED DECEMBER 31, 2005

A comparative schedule of significant variations in receipts and expenses +/- 20% and +/- \$30,000 for the year ended December 31, 2004 is shown below:

	2004	2003	Variance	
			\$	%
<u>Receipts</u>				
Cost reimbursements collected	\$ 106,223	\$ 65,374	\$ 40,849	62%
Client protection reimbursements	30,041	-	30,041	100%
<u>Expenses</u>				
Other independent contractors	375,746	304,754	70,992	23%
Client protection program payments	617,772	477,595	140,177	29%

The Commission's management provided the following explanations for the significant variations identified above.

Cost reimbursements collected

The increase in cost reimbursements for 2004 was due to a positive recovery as compared to 2003. Cost reimbursement collections are random.

Client protection reimbursements

The increase in client protection reimbursements for 2004 was due to a positive recovery as compared to 2003. There is uncertainty as to when and what amount will be recovered.

Other independent contractors

The increase in independent contractor expenses for 2004 compared to 2003 was due to an increase in contracting of independent attorneys for writing of hearing and review reports.

Client protection program payments

The increase in client protection program payments for 2004 compared to 2003 was due to an increase in claims in 2004.

ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION

Analysis of Operations

For the Two years Ended December 31, 2005

Agency Functions and Planning Program

The Attorney Registration and Disciplinary Commission (Commission) was established in 1973 by the Illinois Supreme Court (the Court) to monitor the registration and regulation of attorneys admitted to practice law in Illinois. In 1994, the Court established the Client Protection Program to provide reimbursement to clients who have lost money or property because of dishonest conduct by lawyers admitted to practice law in Illinois. This program reimburses, up to a maximum of \$25,000, clients who cannot obtain reimbursement from the lawyer who caused the loss or from other sources.

Seven commissioners are appointed by the Illinois Supreme Court to direct the Commission. Four of these appointees are attorneys; three are public members. The Commissioners appoint, with the approval of the Court, the Administrator of the Commission; oversee the collection and administration of funds; develop rules for disciplinary proceedings and appoint attorney and lay members of the Hearing and Inquiry Boards which are involved in disciplinary matters.

The Administrator is the principal executive officer of the Commission. The Administrator's responsibilities include directing the disciplinary system, monitoring the registration of attorneys and collection of annual registration fees and overseeing the investigation of charges of misconduct and the prosecution of disciplinary cases.

The Commissioners and the Administrator of the Commission as of December 31, 2005 were:

Commissioners

Benedict Schwarz, II, Chairman
Donn F. Bailey
Patricia C. Bobb
John R. Carroll
R. Michael Henderson
John P. Kujawski
Brian McFadden

Administrator

Mary Robinson

ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION

Analysis of Operations (Continued)

For the Two Years Ended December 31, 2005

The Commission's primary office is located at One Prudential Plaza, Suite 1500, 130 East Randolph Drive, Chicago, Illinois. The Commission also has an office located at One North Old Capitol Plaza, Springfield, Illinois.

The Organization as well as the general policies and procedures of the Commission are established by the Illinois Supreme Court rules.

The Commission maintains a five-year forecast to identify the budgeting goals of the Commission. The Commission staff prepares an annual budget based on the plans and objectives of the Commission as well as the case load projections. This budget is assembled on a line-item by line-item basis with explanations for all significant changes from the previous year's budget and actual performance. Upon its completion, the budget is presented to the Commissioners for their approval. After the budget is approved, it is compared against the actual operations of the Commission through the identification of favorable and unfavorable variances. The Commissioners are provided with monthly reports comparing budgeted operations to actual basis.

Auditors' Assessment

The Planning program described above appears reasonable for the Attorney Registration and Disciplinary Commission for the two years ended December 31, 2005.

Average Number of Employees

December 31, 2005 112
December 31, 2004 112

Service Efforts and Accomplishments (Unaudited)

<u>Attorneys Initially Admitted to the Bar</u>	<u>2005</u>	<u>2004</u>
Attorneys admitted during current fiscal year	2,974	2,824
Attorneys admitted longer than one year, but less than three years	4,912	4,565
Attorneys admitted for three years or longer	59,614	58,789

ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION

Analysis of Operations (Continued)

For the Two Years Ended December 31, 2005

Service Efforts and Accomplishments (Unaudited) - Continued

	<u>2005</u>	<u>2004</u>
Serving:		
Active military duty	219	213
Judges or judicial clerk	1,947	1,815
Birthday before 12/31/1927, 12/31/1926	2,011	1,892
Neither practice, reside, nor are employed in Illinois	<u>8,364</u>	<u>8,003</u>
 Total active and registered attorneys	 <u>80,041</u>	 <u>78,101</u>
 Removed from master roll (arrears, deceased, inactive and disciplined attorneys)	 <u>1,198</u>	 <u>1,256</u>
 <u>Annual Attorney Registration Fees</u>		
Attorneys admitted longer than one year but less than three years	\$ 90	\$ 90
Attorneys admitted for three years or longer	\$ 229	\$ 180
Attorneys on inactive status	\$ 90	\$ 90