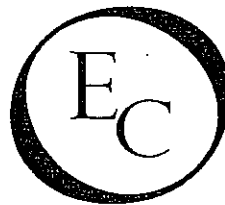


**STATE OF ILLINOIS
BOONE/WINNEBAGO COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 4**

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

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



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

**BOONE/WINNEBAGO COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 4**

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**BOONE/WINNEBAGO COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 4**

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**BOONE/WINNEBAGO COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 4**

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**BOONE/WINNEBAGO COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 4
OFFICIALS**

Regional Superintendent
(current and during the audit period)

Dr. Richard Fairgrievs

Assistant Regional Superintendent
(current)

Ms. Lori Fanello

Assistant Regional Superintendent
(05/01/95 to 6/30/06)

Dr. Donald Morrison

Office is located at:

300 Heart Blvd.
Loves Park, IL 61111

**BOONE/WINNEBAGO COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 4
COMPLIANCE REPORT SUMMARY**

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	2	2
Repeated audit findings	2	-
Prior recommendations implemented or not repeated	-	-

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Prior Finding Code</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
06-1	12	Controls Over Compliance with Laws and Regulations	05-1
06-2	15	Controls Over Property Records and Transactions	05-2

FINDINGS AND QUESTIONED COSTS
(FEDERAL COMPLIANCE)
None

PRIOR FINDINGS NOT REPEATED
(GOVERNMENT AUDITING STANDARDS)
None

PRIOR FINDINGS NOT REPEATED
(FEDERAL COMPLIANCE)
None

**BOONE/WINNEBAGO COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 4
JUNE 30, 2006**

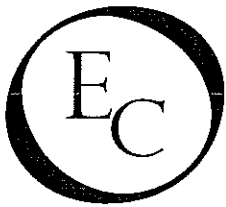
EXIT CONFERENCE

The Boone/Winnebago Counties Regional Office of Education No. 4 opted not to have an exit conference during the financial audit for the year ended June 30, 2006. Responses to the recommendations were provided by Richard Fairgrievies in a letter dated January 29, 2007.

**BOONE/WINNEBAGO COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 4
FINANCIAL STATEMENT REPORT SUMMARY**

The audit of the accompanying basic financial statements of the Boone/Winnebago Counties Regional Office of Education No. 4 was performed by E. C. Ortiz & Co., LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Boone/Winnebago Counties Regional Office of Education No. 4's basic financial statements.



INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boone and Winnebago Counties Regional Office of Education No. 4, as of and for the year ended June 30, 2006, which collectively comprise the Boone and Winnebago Counties Regional Office of Education No. 4's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Boone and Winnebago Counties Regional Office of Education No. 4's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boone and Winnebago Counties Regional Office of Education No. 4, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 18, 2006 on our consideration of the Boone and Winnebago Counties Regional Office of Education No. 4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to

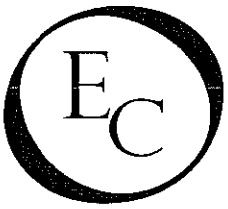
provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 24 through 30 and 59 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boone and Winnebago Counties Regional Office of Education No. 4's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Boone and Winnebago Counties Regional Office of Education No. 4. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

E. C. Ortiz & Co. LLP

Chicago, Illinois
October 18, 2006



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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boone and Winnebago Counties Regional Office of Education No. 4, as of and for the year ended June 30, 2006, which collectively comprise the Boone and Winnebago Counties Regional Office of Education No. 4's basic financial statements and have issued our report thereon dated October 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boone and Winnebago Counties Regional Office of Education No. 4's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting which we reported on the accompanying Schedule of Findings and Questioned Costs as item 06-2.

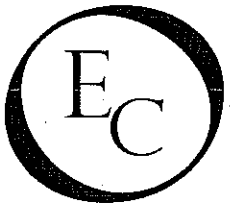
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Boone and Winnebago Counties Regional Office of Education No. 4's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance which we reported on the accompanying Schedule of Findings and Questioned Costs as item 06-1.

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

E. C. Ortig & Co. LLP

Chicago, Illinois
October 18, 2006



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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of the Boone and Winnebago Counties Regional Office of Education No. 4 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Boone and Winnebago Counties Regional Office of Education No. 4's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Boone and Winnebago Counties Regional Office of Education No. 4's management. Our responsibility is to express an opinion on the Boone and Winnebago Counties Regional Office of Education No. 4's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Boone and Winnebago Counties Regional Office of Education No. 4's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Boone and Winnebago Counties Regional Office of Education No. 4's compliance with those requirements.

In our opinion, the Boone and Winnebago Counties Regional Office of Education No. 4 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Boone and Winnebago Counties Regional Office of Education No. 4 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Boone and Winnebago Counties Regional Office of Education No. 4's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

E. C. Gutz & Co. LLP

Chicago, Illinois
October 18, 2006

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Part I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I - School Improvement & Accountability

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

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

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Part II: Findings Related to the Basic Financial Statements

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

Criteria/Specific Requirements:

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

Conditions:

- A. The Regional Office of Education No. 4 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.

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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

Conditions (Continued):

- B. The Regional Office of Education No. 4 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all his acts including a list of all the schools visited and dates of visitation. The Regional Superintendent submitted to each county board his annual report and presented the budget to the Boone County board on September 8, 2005 and to the Winnebago County board on September 29, 2005. The annual report included statistics on major areas of activities of the ROE, including the inspections of school buildings within its region. Details of the dates of visits and other statistics are provided upon request.

- C. The Regional Office of Education No. 4 performs compliance inspections for each public school in his region on a rotational basis every three years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.

Effect:

The Regional Office of Education No. 4 did not comply with statutory requirements.

Causes:

- A. The Regional Office of Education No. 4 management stated that the procedures currently being performed are deemed sufficient to comply with this mandate and that this mandate is outdated.

- B. According to the Regional Superintendent, the ROE submits the annual report to the counties every year and the Superintendent attends the board meetings annually. The annual report is believed to have all the pertinent information about the ROE's operations, and details of any visits and dates of visitation are available upon request.

- C. The Regional Superintendent stated that the periodic compliance visits on a cycle basis completed at the public schools were sufficient to satisfy the statutory requirement. In addition, due to the magnitude of the task and the limited budget, the visit could not be performed for each public school in the district on an annual basis.

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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

Recommendations:

- A. The Regional Office of Education No. 4 should comply with the requirements of 105 ILCS 5/3-14.11.
- B. The Regional Superintendent should attend the county board meeting in September and quarterly thereafter as it may have regular or special meetings, and present a report of all his acts as county superintendent, including a list of all the schools visited with the dates of visitation as required by 105 ILCS 5/3-5.
- C. The Regional Superintendent should visit each public school annually to review all items required by 105 ILCS 5/3-14.5.

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

Management's Responses:

- A. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 5/3-7 of the Illinois School Code is a more current, thorough, and comprehensive requirement concerning a public school district's financial transactions. As a result, the two parties working together will seek legislation to repeal section 5/3-14.11 of the Illinois School Code.
- B. The Regional Superintendent meets with members of the Boone County and Winnebago County boards to present budget requests and related information. The ROE's annual report is presented to both county boards in December. The Regional Superintendent is available for any other meetings deemed necessary by the county boards.
- 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.

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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

FINDING NO. 06-2 - Controls Over Property Records and Transactions (Repeated from 2005 - Finding No. 05-2)

Criteria/Specific Requirements:

The Regional Office of Education (ROE) Accounting Manual requires each ROE to maintain detailed fixed asset records for both accounting purposes as well as insurance purposes for fixed assets costing \$500 and above. Generally accepted accounting principles require that an inventory of all fixed assets be maintained and property records be updated to reflect all existing items as of year-end.

Sound business practice requires that disbursements made as an advance be reimbursed on a timely basis. Generally accepted accounting principles require that these transactions be accounted for with no net asset effect.

Conditions:

In our physical identification of 10 property items from the property listing, we noted the following:

- Serial numbers were not indicated in the property listing for 5 items.
- Serial numbers of the equipment items did not match the serial numbers indicated in the property listing for 2 items.

In our detailed testing of equipment purchases, we noted the following regarding computer equipment purchases totaling \$3,756 for business partners/staff from the Enterprise Fund:

- One purchase for \$1,223 was paid by the ROE to the vendor on September 22, 2005 but the reimbursement was received in two payments as follows:

Payment by the ROE		Reimbursement Received	
Date	Amount	Date	Amount
9/22/05	\$ 1,223	10/31/05	\$ 623
		12/20/05	600

Documentation of the actual date of receipt of the item by the business partner was not on file.

- One purchase for \$2,533 was recorded as capital expenditures when paid by the ROE and service income when the reimbursement was received, instead of recognizing the purchase as an advance (receivable).

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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

FINDING NO. 06-2 - Controls Over Property Records and Transactions (Repeated from 2005 - Finding No. 05-2) (Continued)

Conditions (Continued):

These purchases made for business partners/staff were covered by purchase orders approved by the Superintendent. However, there are no written procedures to provide guidance for the timeliness of billing and collection as well as the proper recording of these special transactions.

Effects:

Failure to update property records with correct details results in inaccurate and incomplete property records. Serial numbers are unique identification for equipment and is critical in the physical identification of the item in case the property tags are lost.

Untimely receipt of payments for purchases made as an advance for others results in the ROE financing the transaction and delaying the availability of funds for operations. Recording one of the transactions as an income and expense resulted in revenues and expenses to be overstated by \$2,533. Absence of written procedures covering the documentation and recording of these transactions resulted in inconsistent processing and accounting of these transactions. In addition, written policies and procedures governing these special transactions may help reduce the risk of loss of Regional Office financial resources.

Causes:

According to the ROE management, missing and incorrect serial numbers on the equipment items were due to oversight of the Office Manager in charge of updating property records.

Also according to the ROE management, business partners and staff acknowledge that the purchases are their financial responsibility and the ROE is generally reimbursed within a reasonable time after the items are delivered to the respective parties. The untimely receipt of the reimbursement was due to late billing by the ROE since the equipment item was not received by the business partner before the ROE had to pay the vendor. The business partner made an initial payment pending his inspection of the item and made the final payment after his inspection. The recording of one transaction as revenue and expense was due to oversight.

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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

FINDING NO. 06-2 - Controls Over Property Records and Transactions (Repeated from 2005 - Finding No. 05-2) (Continued)

Recommendations:

The Boone/Winnebago Counties Regional Office of Education No. 4 should update its property records on a timely basis with accurate and complete information. The fixed asset listing should also be checked for accuracy and completeness through an annual physical inventory.

In addition, the Regional Office should develop formal policies and procedures covering purchases made for third parties in order to reduce the risk of loss of Regional Office financial resources.

Management's Response:

Staff members of the Boone/Winnebago Counties Regional Office of Education No. 4 continue to work to improve and refine the inventory control system. There is total awareness of the importance of having a completely accurate fixed assets list.

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NONCOMPLIANCE:

None

REPORTABLE CONDITIONS:

None

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
JUNE 30, 2006**

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

Conditions:

- A. The Regional Office of Education No. 4 is not examining all books, accounts, and vouchers of every school treasurer in his educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent has been examining school district financial statements on an annual basis.
- B. The Regional Office of Education No. 4 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all his acts including a list of all the schools visited and dates of visitation. The Regional Superintendent submitted to each county board his annual report and presented the budget to the Boone County board on September 8, 2005 and to the Winnebago County board on September 29, 2005. The annual report included statistics on major areas of activities of the ROE, including the inspections of school buildings within its region. Details of the dates of visits and other statistics are provided upon request.
- C. The Regional Office of Education No. 4 performs compliance inspections for each public school in his region on a rotational basis every three years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.

Plans:

- A. This mandate is outdated. Regional Office officials believe that they are satisfying the intent of the statute by other reviews they undertake.
- B. The Regional Office will continue to communicate with the Boone and Winnebago county boards regarding financial matters as it has in the past. A plan to address the quarterly report mandate is being reviewed. If the format is found to be acceptable, the reporting system will be implemented in September 2007.
- C. A system to meet this mandate is being developed. The system should be in place in the spring of 2007.

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
JUNE 30, 2006**

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

Anticipated Dates of Completion:

- A. The Regional Superintendents continue to work with the legislature to get this mandate removed. The nature of the legislative process makes the completion date uncertain.
- B. New process will be implemented in September.
- C. June 2007.

Name of Contact Person:

Thomas C. McCullough, Office Manager

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
JUNE 30, 2006**

FINDING NO. 06-2 - Controls Over Property Records and Transactions (Repeated from 2005 - Finding No. 05-2)

Conditions:

In our physical identification of 10 property items from the property listing, we noted the following:

- Serial numbers were not indicated in the property listing for 5 items.
- Serial numbers of the equipment items did not match the serial numbers indicated in the property listing for 2 items.

In our detailed testing of equipment purchases, we noted the following regarding computer equipment purchases totaling \$3,756 for business partners/staff from the Enterprise Fund:

- One purchase for \$1,223 was paid by the ROE to the vendor on September 22, 2005 but the reimbursement was received in two payments as follows:

Payment by the ROE		Reimbursement Received	
Date	Amount	Date	Amount
9/22/05	\$ 1,223	10/31/05	\$ 623
		12/20/05	600

Documentation of the actual date of receipt of the item by the business partner was not on file.

- One purchase for \$2,533 was recorded as capital expenditures when paid by the ROE and service income when the reimbursement was received, instead of recognizing the purchase as an advance (receivable).

These purchases made for business partners/staff were covered by purchase orders approved by the Superintendent. However, there are no written procedures to provide guidance for the timeliness of billing and collection as well as the proper recording of these special transactions.

Plan:

All inventoried items' serial number will be checked and verified against the fixed asset list. This will be an annual procedure. As new purchases are made they will be tagged and added to the fixed asset list.

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
JUNE 30, 2006**

FINDING NO. 06-2 - Controls Over Property Records and Transactions (Repeated from 2005 - Finding No. 05-2) (Continued)

Anticipated Date of Completion:

The annual check of the inventory will be completed by June 1 of each fiscal year.

Name of Contact Person:

Thomas C. McCullough, Office Manager

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
05-1	Controls Over Compliance with Laws and Regulations	Repeated
05-2	Property Records Not Updated Timely	Repeated

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

The Boone/Winnebago Counties Regional Office of Education No. 4 (ROE No. 4) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2006 with comparative information for the year ended June 30, 2005. Readers are encouraged to consider the information in conjunction with the ROE No. 4's basic financial statements.

2006 Financial Highlights

- Within the Governmental Funds, the General Fund revenues decreased by \$120,260 (14%) from \$859,451 in FY 2005 to \$739,191 in FY 2006. General Fund expenditures decreased by \$116,770 (14%) from \$825,192 in FY 2005 to \$708,422 in FY 2006.
- Within the Governmental Funds, the Special Revenue Fund revenues decreased by \$358,308 (7%) from \$5,456,100 in FY 2005 to \$5,097,792 in FY 2006. The Special Revenue Fund expenditures decreased by \$284,367 (5%) from \$5,175,192 in FY 2005 to \$4,890,825 in FY 2006.
- The Enterprise Fund revenues increased by \$81,969 (18%) from \$462,907 in FY 2005 to \$544,876 in FY 2006. The Enterprise Fund expenditures increased by \$151,730 (45%) from \$335,578 in FY 2005 to \$487,308 in FY 2006.
- The ROE No. 4 has no long term debt.

Using This Report

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

- *Management's Discussion and Analysis* introduces financial statements and provides an analytical overview of the Regional Office's financial activities.
- The *Government-wide financial statements* consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the ROE No. 4 as a whole and present an overall view of the Office's finances.
- *Fund financial statements* report the ROE No. 4's operations in more detail than the government-wide statements by providing information about the most significant funds.
- *Notes to the financial statements* provide additional information that is needed for a full understanding of the data provided in the basic financial statements.
- *Required supplementary information* further explains and supports the financial statements and other supplementary information provides detailed information about the major and non-major funds.

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

Reporting the Boone/Winnebago Counties Regional Office as a Whole

It is important to note, that many grants are a cooperative effort of the ROE No. 4 and the DeKalb County Regional Office of Education and the McHenry County Regional Office of Education No. 44. Therefore, these figures may reflect grants that are intended to serve Boone/Winnebago Counties only and grants that serve DeKalb County and McHenry County.

The Statement of Net Assets and the Statement of Activities

The Government-wide statements report information about the ROE No. 4 as a whole. The Statement of Net Assets includes all of the assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid using Generally Accepted Accounting Principles and GASB 34.

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

- Over time, increases or decreases in the net assets can be an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the ROE No. 4's overall financial condition, additional non-financial factors, such as new laws, rules, regulations, and actions by officials at the state level need to be considered.

The Government-wide financial statements present the Office's activities as governmental and business-type activities. Local, state and federal funds finance most of the governmental activities while local workshops finance most of the business-type activities.

Fund Financial Statements

The fund financial statements provide detailed information about the Regional Office's funds. Funds are accounting devices that allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by state law. The ROE No. 4 established other funds to control and manage money for particular purposes.

The Office has three kinds of funds:

- (1) Governmental funds account for all of the ROE No. 4's services. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at the year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

the Office's programs. The Office's Governmental Funds include the General Fund and the Special Revenue Funds.

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

- (2) Proprietary funds account for resources from fees charged directly to those entities or individuals that use its services. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by government-wide financial statements but with more detail for major and non-major enterprise funds. The proprietary funds required financial statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.
- (3) Fiduciary funds are used to account for assets held by the Regional Office of Education No. 4 in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds required financial statements include a Statement of Fiduciary Net Assets.

Government-Wide Financial Analysis

As noted earlier, net assets may serve when examined over time as one indicator of the financial position of the ROE No. 4. The net assets at the end of FY 2006 and FY 2005 totaled \$3,576,464 and \$3,271,608, respectively. The analysis that follows provides a summary of the ROE No. 4's net assets as of June 30.

CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
ASSETS						
Current assets	\$ 3,696,125	\$ 3,552,188	\$ 353,194	\$ 253,620	\$ 4,049,319	\$ 3,805,808
Capital assets, net of depreciation	67,781	58,229	-	-	67,781	58,229
TOTAL ASSETS	3,763,906	3,610,417	353,194	253,620	4,117,100	3,864,037
Current liabilities	540,636	624,166	-	(31,737)	540,636	592,429
TOTAL LIABILITIES	540,636	624,166	-	(31,737)	540,636	592,429
NET ASSETS						
Invested in capital assets, net of related debt	67,781	58,229	-	-	67,781	58,229
Restricted	260,476	225,079	-	-	260,476	225,079
Unrestricted	2,895,013	2,702,943	353,194	285,357	3,248,207	2,988,300
TOTAL NET ASSETS	\$ 3,223,270	\$ 2,986,251	\$ 353,194	\$ 285,357	\$ 3,576,464	\$ 3,271,608

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

The ROE No. 4's net assets increased by \$304,856 (9%) from FY 2005. The increase occurred primarily in the Regional Safe Schools Program - General State Aid due to excess of revenues over expenses. In addition, net assets related to the Teacher Institute Fund are considered restricted for teacher professional development.

CHANGES IN NET ASSETS

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program revenues:						
Charges for services	\$ 454,649	\$ 529,979	\$ 544,876	\$ 462,907	\$ 999,525	\$ 992,886
Operating grants and contributions	4,564,399	4,870,270	-	-	4,564,399	4,870,270
General revenues:						
State and local sources	367,856	443,866	-	-	367,856	443,866
Interest income	134,798	61,212	-	-	134,798	61,212
On-behalf payments	315,281	410,224	-	-	315,281	410,224
Total revenues	<u>5,836,983</u>	<u>6,315,551</u>	<u>544,876</u>	<u>462,907</u>	<u>6,381,859</u>	<u>6,778,458</u>
Expenses:						
Salaries	2,181,095	1,989,713	50,461	889	2,231,556	1,990,602
Benefits	355,938	419,117	2,593	-	358,531	419,117
Purchased services	1,834,037	1,947,825	392,687	299,880	2,226,724	2,247,705
Supplies and materials	420,310	316,166	26,643	25,680	446,953	341,846
Capital outlay	22,700	306,367	14,924	9,089	37,624	315,456
Depreciation	28,121	43,388	-	-	28,121	43,388
Payments to other governmental units	432,213	552,520	-	-	432,213	552,520
Miscellaneous	-	23,582	-	40	-	23,622
On-behalf payments	315,281	410,224	-	-	315,281	410,224
Total expenses	<u>5,589,695</u>	<u>6,008,902</u>	<u>487,308</u>	<u>335,578</u>	<u>6,077,003</u>	<u>6,344,480</u>
Income (loss) before operating transfers	247,288	306,649	57,568	127,329	304,856	433,978
Operating transfers	(10,269)	-	10,269	-	-	-
Change in net assets	237,019	306,649	67,837	127,329	304,856	433,978
Net assets, beginning	2,986,251	2,679,602	285,357	158,028	3,271,608	2,837,630
Net assets, ending	<u>\$ 3,223,270</u>	<u>\$ 2,986,251</u>	<u>\$ 353,194</u>	<u>\$ 285,357</u>	<u>\$ 3,576,464</u>	<u>\$ 3,271,608</u>

Governmental Activities

Revenues for governmental activities were \$5,836,983 and expenses were \$5,589,695. Governmental revenues decreased by \$478,568 (8%) due to the close-out of Technology Enhancing Education - Competitive and Title I - Reading First Part B SEA Funds grants.

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

Accordingly, expenses decreased by \$419,207 (7%) due to the related expenditures of said grants. The ROE No. 4 also did not fill some vacant job positions.

Business-Type Activities

Revenues for business-type activities were \$544,876 and expenditures were \$487,308. The increase in revenues and expenditures is due mainly to increase in local and networking for information workshops.

Financial Analysis of the ROE No. 4 Funds

As previously noted, the ROE No. 4 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency's Governmental Funds reported combined fund balances were \$3,155,489.

Governmental Fund Highlights

The General Assembly and the Illinois State Board of Education (ISBE) continue to increase the responsibilities of the Regional Offices of Education (ROE) without providing any additional resources.

I could cite several areas where this is true but will limit it to three:

- Certificate procedures have gone from certificate registration to certificate renewal and this has increased the Office work load tremendously. One-on-one help for extended periods of time is not uncommon in order for the teachers and administrators to renew their certificates.
- Federal legislation "No Child Left Behind" requires that many teachers must be "highly qualified" in order to comply with law and ROE's are involved in assisting teachers to determine their status.
- The Annual Health Life Safety Inspection of school buildings now requires the Regional Office of Education to coordinate with the local fire department which means the time involved in the scheduling and re-scheduling inspections along with inspections involves additional time.

There was an increase in the state aid foundation level to \$5,334 per student for best three-months Average Daily Attendance (ADA) from \$5,164. This increase will be needed resources in order to operate our Alternative Education Programs.

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

In order to stay within budget restrictions, the ROE has eliminated the environmental education program which has been providing service to area schools for over twenty years.

Proprietary Fund Highlights

Total proprietary fund net assets increased by \$67,837 (24%). This year's operations resulted in income due to increase in workshop activities.

Fiduciary Fund Highlights

There was no significant movement in fiduciary funds for FY 2006. Total fiduciary net assets increased by \$66,072 (8%). Transactions during FY 2006 represent mainly transfers in and out of funds for Payroll Fund and CEANCI (Career Educational Associates of North Central Illinois).

Budgetary Highlights

The ROE No. 4 annually adopts budgets for several funds. The General Fund Accounts and, KIDS Accounts are prepared by the Regional Superintendent and serve as a guideline for activities and expenditures. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the County Board for their approval. The Office Operations Budget covers a fiscal year which runs from October 1 to September 30. All grant budgets are prepared by the ROE No. 4 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency.

Capital Assets

ROE No. 4's capital assets include office equipment, computers, audio-visual equipment, and office furniture. The ROE No. 4 maintains an inventory of capital assets which have been accumulated over time. FY 2006, total additions amounted to \$37,673 and total retirements amounted to \$5,150. Depreciation expense for FY 2006 was \$28,121.

Economic Factors and Next Years' Budget

At the time these financial statements were prepared and audited, the ROE No. 4 was aware of several existing circumstances that could affect its financial condition in the future:

- The state aid foundation level has increased to \$5,334 per student.
- The interest rate on investments shows a slight increase.

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

- County funds have increased 9.2% for FY 2007 which sounds very good, but we need to consider the rapid student growth of 2.7% that the Region is experiencing, increasing double-digit health care cost and escalating fuel prices.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the ROE No. 4's citizens, taxpayers, clients, and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the ROE No. 4 at 300 Heart Blvd., Loves Park, IL 61111.

BASIC FINANCIAL STATEMENTS

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
STATEMENT OF NET ASSETS
JUNE 30, 2006

EXHIBIT A

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,345,967	\$ 353,194	\$ 3,699,161
Due from other governmental agencies	350,158	-	350,158
Total current assets	<u>3,696,125</u>	<u>353,194</u>	<u>4,049,319</u>
Noncurrent assets:			
Capital assets, net	67,781	-	67,781
TOTAL ASSETS	<u>3,763,906</u>	<u>353,194</u>	<u>4,117,100</u>
LIABILITIES			
Accounts payable	539,139	-	539,139
Deferred revenues	797	-	797
Due to other governmental agencies	700	-	700
TOTAL LIABILITIES	<u>540,636</u>	<u>-</u>	<u>540,636</u>
NET ASSETS			
Invested in capital assets	67,781	-	67,781
Restricted	260,476	-	260,476
Unrestricted	2,895,013	353,194	3,248,207
TOTAL NET ASSETS	<u>\$ 3,223,270</u>	<u>\$ 353,194</u>	<u>\$ 3,576,464</u>

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

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2006

EXHIBIT B

Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contribution	Primary Government		Total	
			Governmental Activities	Business-Type Activities		
FUNCTIONS/PROGRAMS						
Primary government						
Governmental activities:						
Instructional services						
Salaries	\$ 2,181,095	\$ 184,406	\$ 1,881,445	\$ (115,244)	\$ -	\$ (115,244)
Benefits	355,938	27,688	287,101	(41,149)	-	(41,149)
Purchased services	1,834,037	160,627	1,549,157	(124,253)	-	(124,253)
Supplies and materials	420,310	38,100	392,538	10,328	-	10,328
Capital outlay	22,700	3,637	37,885	18,822	-	18,822
Payments to other governmental units	432,213	40,191	416,273	24,251	-	24,251
Depreciation	28,121	-	-	(28,121)	-	(28,121)
Administrative						
On-behalf payments	315,281	-	-	(315,281)	-	(315,281)
Total governmental activities	5,589,695	454,649	4,564,399	(570,647)	-	(570,647)
Business-type activities:						
Professional development	487,308	544,876	-	-	57,568	57,568
Total business-type activities	487,308	544,876	-	-	57,568	57,568
Total primary government	\$ 6,077,003	\$ 999,525	\$ 4,564,399	(570,647)	57,568	(513,079)
General revenues:						
Local sources				71,356	-	71,356
State sources				296,500	-	296,500
Interest income				134,798	-	134,798
On-behalf payments				315,281	-	315,281
Transfers				(10,269)	10,269	-
Total general revenues and transfers				807,666	10,269	817,935
Change in net assets				237,019	67,837	304,856
Net assets - beginning				2,986,251	285,357	3,271,608
Net assets - ending				\$ 3,223,270	\$ 353,194	\$ 3,576,464

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

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 JUNE 30, 2006

EXHIBIT C

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 351,389	\$ 2,534,555	\$ 259,588	\$ 200,435	\$ 3,345,967
Due from other governmental agencies	4,901	343,817	888	552	350,158
TOTAL ASSETS	356,290	2,878,372	260,476	200,987	3,696,125
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	-	539,139	-	-	539,139
Deferred revenues	-	797	-	-	797
Due to other governmental agencies	-	700	-	-	700
Total liabilities	-	540,636	-	-	540,636
FUND BALANCES					
Restricted	-	-	260,476	-	260,476
Unrestricted	356,290	2,337,736	-	200,987	2,895,013
Total fund balances	356,290	2,337,736	260,476	200,987	3,155,489
TOTAL LIABILITIES AND FUND BALANCES	\$ 356,290	\$ 2,878,372	\$ 260,476	\$ 200,987	\$ 3,696,125

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

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

EXHIBIT D

Total fund balances - governmental funds	\$ 3,155,489
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	<u>67,781</u>
Net assets of governmental activities	<u>\$ 3,223,270</u>

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

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2006

EXHIBIT E

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
REVENUES					
Federal sources	\$ -	\$ 2,085,584	\$ -	\$ -	\$ 2,085,584
State sources	296,500	2,475,615	-	3,200	2,775,315
Local sources	-	-	-	-	-
Licenses and permits	-	-	89,548	-	89,548
Interest income	56,054	60,410	11,263	7,071	134,798
Fees for services	71,356	273,963	20,527	67,776	433,622
Miscellaneous	-	-	2,835	-	2,835
On-behalf payments	315,281	-	-	-	315,281
Total revenues	739,191	4,895,572	124,173	78,047	5,836,983
EXPENDITURES					
Current:					
Instructional services:					
Salaries	197,144	1,953,302	-	30,649	2,181,095
Benefits	58,053	297,885	-	-	355,938
Purchased services	106,305	1,598,220	86,732	42,780	1,834,037
Supplies and materials	10,566	407,425	2,044	275	420,310
Capital outlay	21,073	39,300	-	-	60,373
Payments to other governments	-	432,213	-	-	432,213
On-behalf payments	315,281	-	-	-	315,281
Total expenditures	708,422	4,728,345	88,776	73,704	5,599,247
EXCESS OF REVENUES OVER EXPENDITURES	30,769	167,227	35,397	4,343	237,736
OTHER FINANCING USES					
Transfers out	-	(10,269)	-	-	(10,269)
EXCESS OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES	30,769	156,958	35,397	4,343	227,467
FUND BALANCES, BEGINNING OF YEAR	325,521	2,180,778	225,079	196,644	2,928,022
FUND BALANCES, END OF YEAR	\$ 356,290	\$ 2,337,736	\$ 260,476	\$ 200,987	\$ 3,155,489

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

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 GOVERNMENTAL FUNDS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2006**

EXHIBIT F

Net change in fund balances \$ 227,467

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

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

Capital outlay	\$ 37,673	
Depreciation expense	<u>(28,121)</u>	<u>9,552</u>

Change in net assets of governmental activities \$ 237,019

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

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2006

EXHIBIT G

	<u>Business Type Activities - Enterprise Funds</u>			<u>Total</u>
	<u>Local Workshop</u>	<u>Curriculum 2004</u>	<u>Networking for Information Conference</u>	
ASSETS				
Cash and cash equivalents	\$ 317,951	\$ 16,089	\$ 19,154	\$ 353,194
NET ASSETS				
Unrestricted	\$ 317,951	\$ 16,089	\$ 19,154	\$ 353,194

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

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2006**

EXHIBIT H

	<u>Business Type Activities - Enterprise Funds</u>			<u>Total</u>
	<u>Local Workshop</u>	<u>Curriculum 2004</u>	<u>Networking for Information Conference</u>	
OPERATING REVENUES				
Fees for services	\$ 496,029	\$ 19,520	\$ 29,327	\$ 544,876
OPERATING EXPENSES				
Salaries	50,461	-	-	50,461
Benefits	2,593	-	-	2,593
Purchased services	354,881	17,716	20,090	392,687
Supplies and materials	26,560	-	83	26,643
Capital expenditures	14,924	-	-	14,924
Total operating expenses	449,419	17,716	20,173	487,308
INCOME BEFORE OPERATING TRANSFERS	46,610	1,804	9,154	57,568
OPERATING TRANSFERS				
Transfers in	269	-	10,000	10,269
CHANGE IN NET ASSETS	46,879	1,804	19,154	67,837
TOTAL NET ASSETS, BEGINNING OF YEAR	271,072	14,285	-	285,357
TOTAL NET ASSETS, END OF YEAR	\$ 317,951	\$ 16,089	\$ 19,154	\$ 353,194

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

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2006

EXHIBIT I

	Business Type Activities - Enterprise Funds			Total
	Local Workshop	Curriculum 2004	Networking for Information Conference	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts for workshops and services	\$ 496,029	\$ 19,520	\$ 29,327	\$ 544,876
Payments to suppliers	(396,365)	(17,716)	(20,173)	(434,254)
Payments to employees	(53,054)	-	-	(53,054)
Net cash provided by operating activities	46,610	1,804	9,154	57,568
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:				
Advances to other funds	31,737	-	-	31,737
Transfers from other funds	269	-	10,000	10,269
Net cash provided by non capital financing activities	32,006	-	10,000	42,006
NET INCREASE IN CASH AND CASH EQUIVALENTS	78,616	1,804	19,154	99,574
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	239,335	14,285	-	253,620
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 317,951	\$ 16,089	\$ 19,154	\$ 353,194
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 46,610	\$ 1,804	\$ 9,154	\$ 57,568
Adjustments to reconcile operating income to net cash provided by operating activities:				
Effects of changes in assets and liabilities:				
Accounts payable	-	-	-	-
Net cash provided by operating activities	\$ 46,610	\$ 1,804	\$ 9,154	\$ 57,568

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

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006**

EXHIBIT J

ASSETS

Cash and cash equivalents	<u>\$ 930,464</u>
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LIABILITIES

Due to other governmental agencies	<u>\$ 930,464</u>
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The notes to the financial statements are an integral part of this statement.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Boone/Winnebago Counties Regional Office of Education No. 4 (Regional Office; ROE) operates under the School Code (Articles 3 and 3A of Illinois Compiled Statutes, Chapter 105). This encompasses Boone and Winnebago Counties, Illinois. The Regional Superintendent of Schools (Superintendent) serves as chief administrative officer of the Regional Office of Education No. 4 and is elected to the position for a four year term pursuant to Article 3 of Illinois Compiled Statutes, Chapter 105. The principal financial duty of the Superintendent is to receive and distribute monies due to school districts from general state aid, state categorical grants, and various other sources.

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 ensuring of the safety, health and welfare of the students in the region by periodically inspecting the school buildings and ensuring that the bus drivers have valid driving licenses and are properly trained to operate the school buses.

The basic financial statements include all funds of Regional Office of Education No. 4.

These are the only activities considered to be part of (controlled by or dependent on) the Regional Office of Education No. 4, as determined by the application of the criteria set forth in Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity. The criteria for inclusion of an entity include, but are not limited to, legal standing, fiscal dependency, imposition of will and potential for financial benefit or burden.

Boone/Winnebago Counties Regional Office of Education No. 4 has determined that no other outside agency meets any of the above criteria and, therefore, no other agency has been included as a component unit in the financial statements. Furthermore, the Boone/Winnebago Counties Regional Office of Education No. 4 does not consider itself to be a component unit of any other entity.

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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

from these statements. The statements distinguish between those activities of the ROE that are governmental in nature and those that are considered business-type activities. *Governmental activities* normally are supported by operating grants and contributions, charges for services and intergovernmental revenues. *Business-type activities* normally are supported by amounts assessed or received from local sources for the ROE programs.

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

C. New Accounting Pronouncements

Effective July 1, 2005, the Boone/Winnebago Counties Regional Office of Education No. 4 adopted the following accounting pronouncements:

- GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which establishes standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.
- GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section, an amendment of NCGA Statement 1*, which amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section.
- GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation (an amendment of GASB Statement No. 34)*, which clarifies the definition of legal enforceability as it relates to net assets restricted by enabling legislation and requires disclosure of the amount of net assets restricted by enabling legislation.
- GASB Statement No. 47, *Accounting for Termination Benefits*, which establishes accounting and financial reporting standards for termination benefits.

There was no significant impact on the Boone/Winnebago Counties Regional Office of Education No. 4's financial statements as a result of adopting the above statements.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

D. 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*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar revenues are recognized as soon all eligibility requirements imposed by the provider have been met.

Governmental fund and fiduciary financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Boone/Winnebago Counties Regional Office of Education No. 4 considers revenues as available if they are collected within 60 days after year-end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

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

The proprietary fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

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

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

E. Fund Accounting

The accounts are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund and account group are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. The resources are allocated to and accounted for in individual funds and account groups based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following summarizes the fund types and account groups used:

Governmental Fund Types

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

General Fund - to account for resources traditionally associated with government which are not required, legally or by sound financial management, to be accounted for in another fund. The general fund is reported as a major governmental fund in the financial statements. The following are the general funds:

ROE/ISC Operations - to account for grant monies received for, and payment of expenditures for, assisting schools in all areas of school improvement.

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

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than expendable trusts) that are legally restricted to expenditures for specified purposes.

The Boone and Winnebago Counties Regional Office of Education No. 4 reported the following special revenue funds as major governmental funds:

Education Fund - to account for State and Federal grant monies received for, and payment of, administrating numerous grant awards which include:

Federal Special Education - IDEA Flow-Through - to account for grant monies received for, and payment of, expenditures for a Special Education Program.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Regional Alternative School - to account for grant monies received for, and payment of, expenditures for an alternative education program.

Regional Learning Center - Workforce Investment Act - to account for grant monies received for, and payment of, expenditures associated with the WIA Program grant designed to provide vocational training services and coordination of activities to the economically disadvantaged.

Regional Learning Academy - to account for grant monies received for, and payment of, expenditures for the Regional Learning Academy. This fund includes the following:

Regional Safe Schools - to account for grant monies received for, and payment of, expenditures to change the program for expulsion/suspension eligible students.

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

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

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

Truants Alternative Program - to account for grant monies received for, and payment of, expenditures for optional education opportunities to school dropouts, potential dropouts and truants of the Region.

KIDS Fund - to account for grant monies received for, and payment of, expenditures for the Kishwaukee Intermediate Delivery System Intergovernmental Agreement. This fund includes the following:

Technology - Enhancing Education - Competitive - to account for grant monies received for, and payment of expenditures for providing computer software and hardware to schools.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Education Technology - Resource - to account for monies received from schools for workshops related to the Education Technology Competitive Grant.

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

Standards Aligned Classroom Initiative - to account for resources accumulated for, and payment of, expenditures of the Standards Aligned Classroom Program. This supports teams that develop curriculum aligned with the Illinois Academic Standards.

Other State Programs - to account for grant monies received, and the payment of, expenditures incurred for the Standard Assessment Program. This program provides services to schools that are on "status" under No Child Left Behind. The grant provides training and technical assistance to the schools and helps them understand the causes for their student academic problems. The grant then helps the schools develop plans to address the problems.

Title II - Teacher Quality Leadership Grant/Title II - Teacher Quality - RLA - to account for grant monies received for, and payment of expenditures for the Teacher Quality Leadership Programs. These programs aim to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement.

Title I - School Improvement & Accountability - The Illinois State Board of Education Quality Assurance Process consists of an external visit to audit each school every few years and an internal review that each school must conduct annually. The Boone/Winnebago Counties Regional Office of Education No. 4 is charged with supporting and guiding schools through this complex school improvement process so that teaching and learning are improved every year.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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

T-1 Line/DeKalb - to account for grant monies received for, and payment of expenditures for the technology phone line set up for DeKalb.

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

Web Wise Kids - to account for funds received for, and payment of, expenditures of Web Wise Kids Programs. The purpose of these programs is to provide training to middle and high school teachers to spread the on-line safety program. This program will help students recognize on-line predators. The training is through CD simulation or an internet site.

Institute - to account for fees collected for the registration and renewal of teaching certificates. These fees are used to defray administrative expenses incidental to teachers' institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers or for the purpose of defraying the expense of any general or special meeting of teachers or school personnel. All funds generated remain restricted until expended only on the aforementioned activities.

Nonmajor Special Revenue Funds - The Boone and Winnebago Counties Regional Office of Education No. 4 reported the following special revenue funds as nonmajor governmental funds.

General Education Development (GED) - to account for the revenues and expenditures associated with the processing of applications for the high school level test of GED and the issuance of diplomas upon successful completion of the examination.

Bus Driver Training - to account for resources accumulated for, and the payment of, expenses from instructional training courses for school bus drivers.

Supervisory - to account for resources accumulated for, and the payment of, expenditures incurred in providing supervisory services.

Educational Service Center No. 1 - to account for resources accumulated for, and the payment of, expenditures of the Educational Service Center No. 1.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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

Local Workshop - to account for contract monies received for, and payment of, expenditures for workshops and other services for the school districts.

Curriculum 2004 - to account for monies received from school districts for seminars/meetings held for the improvement of the schools' curriculum.

Networking for Information Conference - to account for monies received from school districts for seminars/meetings held focusing on technology solutions.

Fiduciary Fund Type

Fiduciary Funds are used to account for assets held in a trustee capacity or as an agent for individuals or private or governmental organizations. The Fiduciary Funds include the following:

Agency Funds - custodial in nature (assets equal liabilities) and do not involve measurement of operations. The agency funds include the following:

Distributive - to account for funds received and disbursed as a result of the Superintendent's responsibility to receive and distribute to treasurers of other agencies.

Audio Visual Co-op - to account for funds received and disbursed by the Superintendent as administrative agent for the Boone/Winnebago Audio Visual Co-op.

CEANCI - to account for funds received and disbursed by the Superintendent as administrative agent for the Career Educational Associates of North Central Illinois Joint Agreement.

Payroll - to account for all payroll that is incurred. Any fund that has payroll remits the money to the Payroll Fund, the Fund then pays the employee. This is an administrating agent for the ROE's payroll.

F. Interest Revenue

Illinois State Board of Education (ISBE) funds received by the ROE for the Distributive Fund accrue interest for the period of time between the receipt of the funds and clearance of checks to the recipient. In accordance with an agreement dated May 24, 1988 with the

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

school district boards served, interest earned on Distributive Fund deposits is transferred to the General Fund to offset wire service and other bank charges incurred by the Distributive Fund.

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

G. License and Permits

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

H. Revenues - Exchange and Non-exchange Transactions

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

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

I. Capital Assets

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

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

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

J. Deferred Revenues

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

K. Net Assets

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

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

Restricted Net Assets - represent resources in which the ROE is legally obligated to spend in accordance with restrictions imposed by enabling legislation.

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

L. Management Estimates

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

M. Investments and Cash Accounts

State regulations require that the Boone and Winnebago Counties Regional Office of Education No. 4 deposit funds under its control into accounts insured by the federal government, secured by substantial collateral or into pooled investment trusts. All funds not needed for immediate disbursements are maintained in interest bearing accounts. Statutes authorize the Boone and Winnebago Counties Regional Office of Education No. 4 to make deposits or invest in obligation of states and their political subdivisions, savings accounts, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Public Treasurer's Investment Pool.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

N. Budgets and Budgetary Accounting

Program budgets are prepared for the following intergovernmental grant funds: ROE/ISC Operations, Truants Alternative Program, Regional Safe Schools, Title IV - Safe and Drug Free Schools - Formula, Title I - Reading First Part B SEA Funds, Other State Programs, Title II - Teacher Quality Leadership Grant, Title II - Teacher Quality - RLA, Title I - School Improvement & Accountability, Learning Technology Center, and Title V - Innovative Programs - RLA. Boone/Winnebago Regional Office of Education No. 4 has no formal budget process and does not prepare annual budgets for any other funds except for the ones mentioned above and is not legally required to do so.

NOTE 2 - INTERGOVERNMENTAL AGREEMENT

On August 7, 1992, the Boone/Winnebago Counties Regional Office of Education No. 4 entered into an Intergovernmental Agreement executed pursuant to the provisions of the Intergovernmental Cooperation Clause of the Illinois Constitution as well as the provisions of the Intergovernmental Cooperation Act of 1973 and the Illinois Admin. Code 525.110.

The name of the Educational Service delivery system formed is known as the Kishwaukee Intermediate Delivery System (KIDS). Membership in KIDS is made up of the following Regional Offices of Education: Boone/Winnebago, DeKalb, and McHenry. The Boone/Winnebago ROE was designated as Administrative Agent.

NOTE 3 - CASH AND INVESTMENTS

The Boone/Winnebago Counties Regional Office of Education No. 4 utilizes several different bank accounts for its various activities. The book balance of such accounts is \$4,629,625 at June 30, 2006, while the bank balance was \$5,071,108. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2006.

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

Category 1 includes deposits covered by depository insurance or collateral held by Boone/Winnebago Counties Regional Office of Education No. 4 in its name.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Category 2 includes deposits covered by collateral held by the financial institutions in a pledged safekeeping account in the name of Boone/Winnebago Counties Regional Office of Education No. 4.

Category 3 includes deposits which are uncollateralized or the collateral is held by the financial institution trust department but not in the name of Boone/Winnebago Counties Regional Office of Education No. 4.

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

	Bank Balance
Category 1	\$ 100,000
Category 2	4,235,484
Category 3	-
Exempt	735,624
Total	\$ 5,071,108

The exempt funds are those deposited into the Illinois Funds.

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

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

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 4 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2006</u>
Equipment	\$ 175,337	\$ 37,673	\$ 5,150	\$ 207,860
Less: accumulated depreciation	117,108	28,121	(5,150)	140,079
Capital assets, net	<u>\$ 58,229</u>	<u>\$ 9,552</u>	<u>\$ -</u>	<u>\$ 67,781</u>

Depreciation expense charged to governmental function - instructional services totaled \$28,121 for the year.

NOTE 5 - INTEREST ON DISTRIBUTIVE FUND

Interest earned on distributive fund receipts is recorded in the General Fund by the consent of all affected school boards and other entities. The funds are utilized by the Superintendent to purchase computer equipment, develop in-service activities and other innovative programs, as well as, assist with the necessary operating expenses of the Boone/Winnebago Counties Regional Office of Education No. 4's office.

NOTE 6 - EMPLOYEE BENEFIT PLAN

The Boone/Winnebago Counties Regional Office of Education No. 4's employees are covered under the Illinois Municipal Retirement Fund. Contributions to the Fund are made by Boone/Winnebago Counties and the Boone/Winnebago Counties Regional Office of Education No. 4 through grant monies on behalf of the Boone/Winnebago Counties Regional Office of Education staff employees and grant coordinators.

Boone/Winnebago Counties is a participating member of the Illinois Municipal Retirement Fund (IMRF) whose coverage includes all Boone/Winnebago Counties Regional Office of Education No. 4 employees who:

- a. Occupy a job normally requiring 1,000 hours or more per year or 600 hours or more per year for employees who worked for any IMRF employer prior to January 1, 1982;
- b. Are paid on a regular payroll from County or Boone/Winnebago Counties Regional Office of Education No. 4 funds;
- c. Were under age sixty when first entering employment; and
- d. Are not covered by another State created retirement system for the same service.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Employees not qualifying above are considered as "nonparticipating employees" and are covered under Social Security.

The Superintendent and Assistant Superintendent of Boone/Winnebago Counties Regional Office of Education are paid by the State of Illinois. Certain staff employees of the ROE's office are employed and paid by Boone/Winnebago Counties (other support staff and grant coordinators are paid by the Regional Office of Education through grant monies). Boone/Winnebago Counties Regional Office of Education has no separate employee benefit plan.

Illinois Municipal Retirement Fund

The Boone/Winnebago Counties Regional Office of Education No. 4's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a financial report that includes financial statements and required supplementary information. The report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The Boone/Winnebago Counties Regional Office of Education No. 4 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2005 was 0.87% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2005 was 5 years.

For December 31, 2005, the Boone/Winnebago Counties Regional Office of Education No. 4's annual pension cost of \$354 was equal to the Boone/Winnebago Counties Regional Office of Education No. 4's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

period with a 15% corridor. The assumptions used for the 2005 actuarial valuation were based on the 2002-2004 experience study.

TREND INFORMATION

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/05	\$ 354	100%	\$ -
12/31/04	260	100%	-
12/31/03	517	100%	-
12/31/02	457	100%	-
12/31/01	1,559	100%	-
12/31/00	425	100%	-
12/31/99	413	100%	-
12/31/98	456	100%	-
12/31/97	366	100%	-
12/31/96	679	100%	-
12/31/95	1,658	100%	-

NOTE 7 - RETIREMENT PLANS

Teachers' Retirement System of the State of Illinois

The Boone/Winnebago Counties Regional Office of Education participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

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

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

0.6 percent during the year ended June 30, 2006, and the member THIS Fund health insurance contribution was 0.80 percent.

The State of Illinois makes contributions directly to TRS on behalf of the Boone/Winnebago Counties Regional Office of Education No. 4's TRS-covered employees.

- **On-behalf Contributions.** The State of Illinois makes employer pension contributions on behalf of the Boone/Winnebago Counties Regional Office of Education No. 4. For the year ended June 30, 2006, the State of Illinois contributions were based on 7.06 percent of creditable earnings, and the Boone/Winnebago Counties Regional Office of Education No. 4, recognized revenue and expenditures of \$112,195 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2005 and June 30, 2004, the State of Illinois contribution rates as percentages of creditable earnings were 11.76 percent (\$208,717) and 13.98 percent (\$151,701), respectively.

The Boone/Winnebago Counties Regional Office of Education No. 4 makes three other types of employer contributions directly to TRS.

- **2.2 Formula Contributions.** Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. Contributions for the year ended June 30, 2006 were \$9,012. Contributions for the years ended June 30, 2005, and June 30, 2004, were \$10,294 and \$9,156 respectively.
- **Federal and Trust Fund Contributions.** When TRS members are paid from federal and trust funds administered by the Boone/Winnebago Counties Regional Office of Education No. 4, there is a statutory requirement for the Boone/Winnebago Counties Regional Office of Education No. 4 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and trust funds will be the same as the state contribution rate to TRS. For the year ended June 30, 2006, the employer pension contribution was 7.06 percent of salaries paid from federal and trust funds. For the two years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2006, salaries totaling \$103,463 were paid from federal and trust funds that required employer contributions of \$7,304. For the years ended June 30, 2005 and June 30, 2004, required Boone/Winnebago Counties Regional Office of Education No. 4 contributions were \$27,906 and \$11,185, respectively.
- **Early Retirement Option.** Boone/Winnebago Counties Regional Office of Education No. 4 is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member and under which ERO program the member retires. Under Public Act 94-0004, a "Pipeline ERO" program is provided for members to retire under

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007. If members do not meet these conditions, they can retire under the "Modified ERO" program which requires higher member and employer contributions to TRS. Also, under Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service (unless the member qualifies for the Pipeline ERO). Under the ERO program that expired on June 30, 2005 and the Pipeline ERO, the maximum employer contribution is 100 percent of the member's highest salary used in the final average salary calculation. Under the Modified ERO, the maximum employer contribution is 117.5 percent. Both the 100 percent and 117.5 percent maximums apply when the member is age 55 at retirement. For the year ended June 30, 2006, the Boone/Winnebago Counties Regional Office of Education No. 4 paid \$0 to TRS for employer contributions under the Pipeline ERO and Modified ERO programs. For the years ended June 30, 2005 and June 30, 2004, the Boone/Winnebago Counties Regional Office of Education No. 4 paid \$0 and \$36,954, respectively.

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

NOTE 8 - RELATED PARTY TRANSACTIONS

Fixed assets used solely by the Regional Office are purchased by the Boone/Winnebago Counties. Ownership of some fixed assets remains with the County of Winnebago and, accordingly, the cost of these assets is not included in any fund or in the Capital Assets in the financial statements. Other expenditures of the Regional Office are paid by the Boone/Winnebago Counties.

NOTE 9 - ON-BEHALF PAYMENTS

The salaries of the Regional Superintendent and the Assistant Superintendent are paid by the State of Illinois. The Regional Office personnel are paid by the Boone/Winnebago Counties, Illinois, in accordance with statutes. Employees of programs funded by federal and state grants are paid through the Payroll Fund or by the County of Winnebago and then reimbursed by the grants. The breakdown of the State on-behalf payments for the year ended June 30, 2006 is as follows:

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Regional Superintendent Salary	\$ 88,540
Regional Superintendent Fringe Benefits (includes State paid insurance)	17,095
Assistant Regional Superintendent Salary	79,686
Assistant Regional Superintendent Fringe Benefits (includes State paid insurance)	17,765
TRS Contributions	112,195
Total	\$ 315,281

NOTE 10 - DUE FROM (TO) OTHER GOVERNMENTS

The Boone/Winnebago Counties Regional Office of Education No. 4's General Fund, Special Revenue Fund and various grant programs have funds due to and due from various governmental units which consists of the following:

Due from Other Governments:

Illinois State Board of Education	\$ 344,189
Local School Districts	5,969
	\$ 350,158

Due to Other Governments:

Illinois State Board of Education	\$ 700
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NOTE 11 - INTERFUND TRANSFERS

The composition of interfund transfers for the year ended June 30, 2006 is as follows:

	<u>Transfers-out</u>	<u>Transfers-in</u>
Education Fund - Technology - Enhancing Education - Competitive	(\$10,000)	
Education Fund - T-1 Line/DeKalb	(269)	
Proprietary Funds - Local Workshop		\$269
Proprietary Funds - Networking for Information Conference		10,000

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

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2006**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/05	\$ 84,253	\$ 71,839	(\$12,414)	117.28%	\$ 40,732	0.00%
12/31/04	77,068	60,939	(16,129)	126.47%	30,611	0.00%
12/31/03	72,912	52,121	(20,791)	139.89%	33,784	0.00%
12/31/02	68,459	44,591	(23,868)	153.53%	51,297	0.00%
12/31/01	72,247	53,133	(19,114)	135.97%	52,141	0.00%
12/31/00	66,674	43,990	(22,684)	151.57%	50,006	0.00%
12/31/99	57,416	33,691	(23,725)	170.42%	47,562	0.00%
12/31/98	47,466	22,822	(24,644)	207.98%	42,221	0.00%
12/31/97	39,994	15,130	(24,864)	264.34%	39,644	0.00%
12/31/96	35,654	9,013	(26,641)	395.58%	35,526	0.00%
12/31/95	30,534	3,905	(26,629)	781.92%	34,399	0.00%

On a market value basis, the actuarial value of assets as of December 31, 2005 is \$84,956.
On a market basis, the fund ratio would be 118.26%.

***Digest of Changes**

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

The principal changes were:

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

SUPPLEMENTARY INFORMATION

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 GENERAL FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2006**

SCHEDULE 1

	<u>General</u>	<u>ROE/ISC Operations</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 264,374	\$ 87,015	\$ 351,389
Due from other governmental units	4,901	-	4,901
TOTAL ASSETS	<u>269,275</u>	<u>87,015</u>	<u>356,290</u>
 FUND BALANCES			
Unrestricted	<u>\$ 269,275</u>	<u>\$ 87,015</u>	<u>\$ 356,290</u>

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
GENERAL FUND**

SCHEDULE 2

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

	General	ROE/ISC Operations	Total
REVENUES			
State sources	\$ -	\$ 296,500	\$ 296,500
Local sources			
Fees for services	71,356	-	71,356
Interest	13,521	42,533	56,054
On-behalf payments	315,281	-	315,281
	<u>400,158</u>	<u>339,033</u>	<u>739,191</u>
Total revenues			
EXPENDITURES			
Salaries	19,401	177,743	197,144
Benefits	-	58,053	58,053
Purchased services	55,546	50,759	106,305
Supplies and materials	7,655	2,911	10,566
Capital expenditures	14,039	7,034	21,073
On-behalf payments	315,281	-	315,281
	<u>411,922</u>	<u>296,500</u>	<u>708,422</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,764)	42,533	30,769
FUND BALANCES, BEGINNING OF YEAR	<u>281,039</u>	<u>44,482</u>	<u>325,521</u>
FUND BALANCES, END OF YEAR	<u>\$ 269,275</u>	<u>\$ 87,015</u>	<u>\$ 356,290</u>

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2006**

SCHEDULE 3

ROE/ISC Operations

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
State sources	\$ 296,500	\$ 296,500	\$ -
Interest	-	42,533	42,533
Total revenues	<u>296,500</u>	<u>339,033</u>	<u>42,533</u>
EXPENDITURES			
Salaries	174,468	177,743	(3,275)
Benefits	60,737	58,053	2,684
Purchased services	48,545	50,759	(2,214)
Supplies and materials	2,750	2,911	(161)
Capital expenditures	10,000	7,034	2,966
Total expenditures	<u>296,500</u>	<u>296,500</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	42,533	<u>\$ 42,533</u>
FUND BALANCE, BEGINNING OF YEAR		<u>44,482</u>	
FUND BALANCE, END OF YEAR		<u>\$ 87,015</u>	

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2006

SCHEDULE 4

	Federal Special Education - IDEA Flow-Through	Regional Alternative School	Regional Learning Center - WIA	Regional Learning Academy	Truants Alternative Program	KIDS	Web Wise Kids	Total
\$	845	\$ 264,595	\$ 3,385	\$ 1,585,910	\$ 594,422	\$ 84,821	\$ 577	\$ 2,534,555
	-	-	-	7	-	343,810	-	343,817
TOTAL ASSETS	845	264,595	3,385	1,585,917	594,422	428,631	577	2,878,372

LIABILITIES AND FUND BALANCES

LIABILITIES								
Accounts payable	-	69,586	2,953	-	40,692	425,908	-	539,139
Due to other governmental agencies	-	-	-	700	-	-	-	700
Deferred revenues	-	-	-	-	-	797	-	797
Total liabilities	-	69,586	2,953	700	40,692	426,705	-	540,636

FUND BALANCES

Fund balances, unrestricted	845	195,009	432	1,585,217	553,730	1,926	577	2,337,736
TOTAL LIABILITIES AND FUND BALANCES	\$ 845	\$ 264,595	\$ 3,385	\$ 1,585,917	\$ 594,422	\$ 428,631	\$ 577	\$ 2,878,372

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 EDUCATION FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2006

	Federal Special Education - IDEA Flow - Through	Regional Alternative School	Regional Learning Center - WIA	Regional Learning Academy	Truants Alternative Program	KIDS	Web Wise Kids	Total
REVENUES								
Federal sources	\$ 10,000	\$ -	\$ 53,826	\$ 12,917	\$ -	\$ 1,838,443	\$ 170,398	\$ 2,085,584
State sources	-	652,471	-	728,181	715,380	379,583	-	2,475,615
Local sources	-	-	-	267,532	6,431	-	-	273,963
Fees for services	245	4,718	-	30,987	23,942	518	-	60,410
Interest	10,245	657,189	53,826	1,039,617	745,753	2,218,544	170,398	4,895,572
Total revenues								
EXPENDITURES								
Salaries	-	468,841	33,885	505,306	633,447	311,823	-	1,953,302
Benefits	-	37,848	5,445	72,747	125,716	55,816	313	297,885
Purchased services	3,824	59,745	12,752	141,828	61,297	1,149,266	169,508	1,598,220
Supplies and materials	-	22,028	1,675	49,468	7,615	326,639	-	407,425
Capital expenditures	-	7,052	300	26,465	5,483	-	-	39,300
Payments to other governments	-	-	-	-	-	432,213	-	432,213
Total expenditures	3,824	595,514	54,057	795,814	833,558	2,275,757	169,821	4,728,345
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,421	61,675	(231)	243,803	(87,805)	(57,213)	577	167,227
OTHER FINANCING USES								
Transfers out	-	-	-	-	-	(10,269)	-	(10,269)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES	6,421	61,675	(231)	243,803	(87,805)	(67,482)	577	156,958
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	(5,576)	133,334	663	1,341,414	641,535	69,408	-	2,180,778
FUND BALANCES, END OF YEAR	\$ 845	\$ 195,009	\$ 432	\$ 1,585,217	\$ 553,730	\$ 1,926	\$ 577	\$ 2,337,736

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 EDUCATION FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2006**

SCHEDULE 6

	Truants Alternative Program		
	Budget	* Actual	Variance Favorable (Unfavorable)
REVENUES			
State sources	\$ 404,042	\$ 715,380	\$ 311,338
Local sources			
Fees for services	-	6,431	6,431
Interest	-	23,942	23,942
Total revenues	<u>404,042</u>	<u>745,753</u>	<u>341,711</u>
EXPENDITURES			
Salaries	266,350	633,447	(367,097)
Benefits	74,210	125,716	(51,506)
Purchased services	56,082	61,297	(5,215)
Supplies and materials	7,400	7,615	(215)
Capital expenditures	-	5,483	(5,483)
Total expenditures	<u>404,042</u>	<u>833,558</u>	<u>(429,516)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>(87,805)</u>	<u>\$ (87,805)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>641,535</u>	
FUND BALANCE, END OF YEAR		<u>\$ 553,730</u>	

* includes \$311,338 General State Aid Grant for which there is no budgeted expenditures.

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 REGIONAL LEARNING ACADEMY
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2006

SCHEDULE 7

	Regional Safe Schools	General State Aid and Lunch	Title IV - Community Service	Title IV - Safe and Drug Free Schools - Formula	Total
ASSETS					
Cash and cash equivalents	\$ -	\$ 1,585,210	\$ 700	\$ -	\$ 1,585,910
Due from other governmental agencies	-	7	-	-	7
TOTAL ASSETS	-	1,585,217	700	-	1,585,917
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other governmental agencies	-	-	700	-	700
FUND BALANCES					
Fund balances, unrestricted	-	1,585,217	-	-	1,585,217
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 1,585,217	\$ 700	\$ -	\$ 1,585,917

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4

SCHEDULE 8

REGIONAL LEARNING ACADEMY

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

FOR THE YEAR ENDED JUNE 30, 2006

	Regional Safe Schools	General State Aid and Lunch	Title IV - Community Service	Title IV - Safe and Drug Free Schools - Formula	TOTAL
REVENUES					
Federal sources	\$ -	\$ 12,094	\$ -	\$ 823	\$ 12,917
State sources	456,930	271,251	-	-	728,181
Local sources					
Interest income	-	30,987	-	-	30,987
Fees for services	-	267,532	-	-	267,532
Total revenues	456,930	581,864	-	823	1,039,617
EXPENDITURES					
Salaries	332,344	172,962	-	-	505,306
Benefits	64,522	8,225	-	-	72,747
Purchased services	60,064	81,764	-	-	141,828
Supplies and materials	-	48,645	-	823	49,468
Capital expenditures	-	26,465	-	-	26,465
Total expenditures	456,930	338,061	-	823	795,814
EXCESS OF REVENUES OVER EXPENDITURES	-	243,803	-	-	243,803
FUND BALANCES, BEGINNING OF YEAR	-	1,341,414	-	-	1,341,414
FUND BALANCES, END OF YEAR	\$ -	\$ 1,585,217	\$ -	\$ -	\$ 1,585,217

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4

SCHEDULE 9

REGIONAL LEARNING ACADEMY
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2006

Regional Safe Schools		Title IV - Safe and Drug Free Schools - Formula		TOTAL	
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES					
\$ -	\$ -	\$ -	\$ 823	\$ 823	\$ -
456,930	456,930	-	-	456,930	-
456,930	456,930	-	823	457,753	-
EXPENDITURES					
298,932	332,344	(33,412)	-	332,344	(33,412)
100,112	64,522	35,590	-	64,522	35,590
57,886	60,064	(2,178)	-	60,064	(2,178)
-	-	-	823	823	-
456,930	456,930	-	823	457,753	-
EXCESS OF REVENUES OVER EXPENDITURES					
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES, BEGINNING OF YEAR					
-	-	-	-	-	-
FUND BALANCES, END OF YEAR					
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 KIDS FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2006

SCHEDULE 10

	Technology - Enhancing Education - Competitive	Education Technology - Resource	Title I - Reading First Part B SEA Funds	Standards Aligned Classroom Initiative	Other State Programs	Title II - Teacher Quality Leadership Grant
Cash and cash equivalents	\$ -	\$ -	\$ 16,285	\$ 14,047	\$ 9,917	\$ 10,576
Due from other governmental agencies	-	-	-	-	60,498	2,271
TOTAL ASSETS	-	-	16,285	14,047	70,415	12,847
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	-	-	16,285	13,250	69,475	11,861
Deferred revenues	-	-	-	797	-	-
Total liabilities	-	-	16,285	14,047	69,475	11,861
FUND BALANCES						
Fund balances, unrestricted	-	-	-	-	940	986
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ 16,285	\$ 14,047	\$ 70,415	\$ 12,847

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4

KIDS FUND

COMBINING SCHEDULE OF ACCOUNTS

JUNE 30, 2006

SCHEDULE 10
(CONTINUED)

	Title II Teacher Quality - RLA	Title I - School Improvement & Accountability	Learning Technology Center	T-1 Line/DeKalb	Title V - Innovative Programs	Title V - Innovative Programs - RLA	Total
ASSETS							
Cash and cash equivalents	\$ -	\$ 33,996	\$ -	\$ -	\$ -	\$ -	\$ 84,821
Due from other governmental agencies	-	281,041	-	-	-	-	343,810
TOTAL ASSETS	-	315,037	-	-	-	-	428,631
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	-	315,037	-	-	-	-	425,908
Deferred revenues	-	-	-	-	-	-	797
Total liabilities	-	315,037	-	-	-	-	426,705
FUND BALANCES							
Fund balances, unrestricted	-	-	-	-	-	-	1,926
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 315,037	\$ -	\$ -	\$ -	\$ -	\$ 428,631

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4

SCHEDULE 11

KIDS FUND

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

	Technology - Enhancing Education - Competitive	Education Technology - Resource	Title I - Reading First Part B SEA Funds	Standards Aligned Classroom Initiative	Other State Programs	Title II - Teacher Quality Leadership Grant
REVENUES						
Federal sources	\$ -	\$ -	\$ 80,066	\$ 173,931	\$ -	\$ 80,000
State sources	-	-	-	-	250,000	-
Local sources	-	-	-	-	-	-
Interest income	-	-	-	-	-	518
Total revenues	-	-	80,066	173,931	250,000	80,518
EXPENDITURES						
Salaries	-	-	21,377	5,228	37,106	-
Benefits	-	-	655	-	8,317	-
Purchased services	52,388	1,512	34,348	97,431	157,977	64,299
Supplies and materials	-	-	23,786	4,657	10,890	5,676
Payments to other governments	-	-	-	66,615	35,710	10,025
Total expenditures	52,388	1,512	80,166	173,931	250,000	80,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(52,388)	(1,512)	(100)	-	-	518
OTHER FINANCING USES						
Transfers out	(10,000)	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES	(62,388)	(1,512)	(100)	-	-	518
FUND BALANCES, BEGINNING OF YEAR	62,388	1,512	100	-	940	468
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ 940	\$ 986

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 KIDS FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 11
 (CONTINUED)

	Title II Teacher Quality - RLA	Title I - School Improvement & Accountability	Learning Technology Center	T-1 Line/DeKalb	Title V - Innovative Programs - RLA	Title V - Innovative Programs - RLA	Total
REVENUES							
Federal sources	\$ 3,303	\$ 1,500,192	\$ -	\$ -	\$ 951	\$ -	\$ 1,838,443
State sources	-	-	129,583	-	-	-	379,583
Local sources	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	518
Total revenues	3,303	1,500,192	129,583	-	951	-	2,218,544
EXPENDITURES							
Salaries	2,000	137,246	108,866	-	-	-	311,823
Benefits	-	24,798	22,046	-	-	-	55,816
Purchased services	1,303	739,964	44	-	-	-	1,149,266
Supplies and materials	-	280,307	-	-	372	951	326,639
Payments to other governments	-	319,863	-	-	-	-	432,213
Total expenditures	3,303	1,502,178	130,956	-	372	951	2,275,757
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(1,986)	(1,373)	-	(372)	-	(57,213)
OTHER FINANCING USES							
Transfers out	-	-	-	(269)	-	-	(10,269)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES	-	(1,986)	(1,373)	(269)	(372)	-	(67,482)
FUND BALANCES, BEGINNING OF YEAR	-	1,986	1,373	269	372	-	69,408
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,926

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 KIDS FUND
 BUDGETARY COMPARISON SCHEDULES
 YEAR ENDED JUNE 30, 2006

SCHEDULE 12

	Title I - Reading First Part B SEA Funds			Other State Programs			Title II - Teacher Quality Leadership Grant		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
Federal sources	\$ 80,066	\$ 80,066	\$ -	\$ -	\$ -	\$ -	\$ 80,000	\$ 80,000	\$ -
State sources	-	-	-	250,000	250,000	-	-	-	-
Local sources	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	-
Fees for services	-	-	-	-	-	-	-	518	518
Total revenues	80,066	80,066	-	250,000	250,000	-	80,000	80,518	518
EXPENDITURES									
Salaries	21,257	21,377	(120)	31,000	37,106	(6,106)	-	-	-
Benefits	675	655	20	8,000	8,317	(317)	-	-	-
Purchased services	34,656	34,348	308	164,048	157,977	6,071	64,500	64,299	201
Supplies and materials	23,478	23,786	(308)	17,000	10,890	6,110	5,500	5,676	(176)
Payments to other governments	-	-	-	29,952	35,710	(5,758)	10,000	10,025	(25)
Total expenditures	80,066	80,166	(100)	250,000	250,000	-	80,000	80,000	-

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
 \$ - (100) \$ (100) \$ - \$ - \$ - \$ 518 \$ 518

FUND BALANCES, BEGINNING OF YEAR
 100 940 468

FUND BALANCES, END OF YEAR
 \$ - \$ 940 \$ 986

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 KIDS FUND
 BUDGETARY COMPARISON SCHEDULES
 YEAR ENDED JUNE 30, 2006

SCHEDULE 12
 (CONTINUED)

	Title II Teacher Quality - RLA		Title I - School Improvement & Accountability				Learning Technology Center			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
REVENUES										
Federal sources	\$ 3,303	\$ 3,303	\$ -	\$ 1,500,192	\$ 1,500,192	\$ -	\$ -	\$ -	\$ -	
State sources	-	-	-	-	-	-	129,583	129,583	-	
Local sources	-	-	-	-	-	-	-	-	-	
Interest income	-	-	-	-	-	-	-	-	-	
Fees for services	-	-	-	-	-	-	-	-	-	
Total revenues	3,303	3,303	-	1,500,192	1,500,192	-	129,583	129,583	-	
EXPENDITURES										
Salaries	2,000	2,000	-	120,000	137,246	(17,246)	104,003	108,866	(4,863)	
Benefits	-	-	-	32,000	24,798	7,202	25,580	22,046	3,534	
Purchased services	1,303	1,303	-	470,192	739,964	(269,772)	-	44	(44)	
Supplies and materials	-	-	-	326,700	280,307	46,393	-	-	-	
Payments to other governments	-	-	-	551,300	319,863	231,437	-	-	-	
Total expenditures	3,303	3,303	-	1,500,192	1,502,178	(1,986)	129,583	130,956	(1,373)	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ (1,986)	\$ (1,986)	\$ -	\$ (1,373)	\$ (1,373)	
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-	1,986	-	-	1,373	-	
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

BOONE/VINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 KIDS FUND
 BUDGETARY COMPARISON SCHEDULES
 YEAR ENDED JUNE 30, 2006

SCHEDULE 12
 (CONTINUED)

	Title V - Innovative Programs - RLA				Total	Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual		
REVENUES						
Federal sources	\$ 951	\$ 951	\$ 1,664,512	\$ 1,664,512	\$ -	-
State sources	-	-	379,583	379,583	-	-
Local sources	-	-	-	-	-	-
Interest income	-	-	-	518	518	518
Fees for services	-	-	-	-	-	-
Total revenues	951	951	2,044,095	2,044,613	518	518
EXPENDITURES						
Salaries	-	-	278,260	306,595	(28,335)	(28,335)
Benefits	-	-	66,255	55,816	10,439	10,439
Purchased services	-	-	734,699	997,935	(263,236)	(263,236)
Supplies and materials	951	951	373,629	321,610	52,019	52,019
Payments to other governments	-	-	591,252	365,598	225,654	225,654
Total expenditures	951	951	2,044,095	2,047,554	(3,459)	(3,459)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ -	(2,941)	\$ (2,941)	(2,941)
FUND BALANCES, BEGINNING OF YEAR				4,867		
FUND BALANCES, END OF YEAR	\$ -	\$ -		\$ 1,926		

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2006

SCHEDULE 13

	General Education Development	Bus Driver Training	Supervisory	Educational Service Center No. 1	Total
Cash and cash equivalents	\$ 63,446	\$ 8,129	\$ 1,629	\$ 127,231	\$ 200,435
Due from other governmental units	180	372	-	-	552
TOTAL ASSETS	<u>63,626</u>	<u>8,501</u>	<u>1,629</u>	<u>127,231</u>	<u>200,987</u>
FUND BALANCES					
Fund balances, unrestricted	63,626	8,501	1,629	127,231	200,987
TOTAL FUND BALANCES	<u>\$ 63,626</u>	<u>\$ 8,501</u>	<u>\$ 1,629</u>	<u>\$ 127,231</u>	<u>\$ 200,987</u>

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4

SCHEDULE 14

NONMAJOR SPECIAL REVENUE FUNDS

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

	General Education Development	Bus Driver Training	Supervisory	Educational Service Center No. 1	Total
REVENUES					
State sources	\$ -	\$ 1,200	\$ 2,000	\$ -	\$ 3,200
Local sources					
Interest income	2,115	198	48	4,710	7,071
Fees for services	62,892	4,779	105	-	67,776
Total revenues	65,007	6,177	2,153	4,710	78,047
EXPENDITURES					
Salaries	30,649	-	-	-	30,649
Purchased services	32,679	8,112	1,989	-	42,780
Supplies and materials	275	-	-	-	275
Total expenditures	63,603	8,112	1,989	-	73,704
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,404	(1,935)	164	4,710	4,343
FUND BALANCES, BEGINNING OF YEAR	62,222	10,436	1,465	122,521	196,644
FUND BALANCES, END OF YEAR	\$ 63,626	\$ 8,501	\$ 1,629	\$ 127,231	\$ 200,987

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 FIDUCIARY FUNDS

SCHEDULE 15

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2006

	Distributive	Audio Visual Co-op	Career Educational Associates of North Central Illinois	Payroll	Total
ASSETS					
Cash and cash equivalents	\$ 70	\$ 2,766	\$ 906,636	\$ 20,992	\$ 930,464
LIABILITIES					
Due to other governmental agencies	\$ 70	\$ 2,766	\$ 906,636	\$ 20,992	\$ 930,464

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 FIDUCIARY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 ALL AGENCY FUNDS
 JUNE 30, 2006

SCHEDULE 16

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
DISTRIBUTIVE				
ASSETS				
Cash and cash equivalents	\$ 70	\$ -	\$ -	\$ 70
LIABILITIES				
Due to other governmental agencies	\$ 70	\$ -	\$ -	\$ 70
 AUDIO VISUAL CO-OP				
ASSETS				
Cash and cash equivalents	\$ 3,152	\$ 16,152	\$ 16,538	\$ 2,766
LIABILITIES				
Due to other governmental agencies	\$ 3,152	\$ 16,152	\$ 16,538	\$ 2,766
 CAREER EDUCATIONAL ASSOCIATES OF NORTH CENTRAL ILLINOIS				
ASSETS				
Cash and cash equivalents	\$ 838,961	\$ 3,554,308	\$ 3,486,633	\$ 906,636
Due from other funds	1,218	-	1,218	-
Total assets	<u>\$ 840,179</u>	<u>\$ 3,554,308</u>	<u>\$ 3,487,851</u>	<u>\$ 906,636</u>
LIABILITIES				
Due to other governmental agencies	<u>\$ 840,179</u>	<u>\$ 3,554,308</u>	<u>\$ 3,487,851</u>	<u>\$ 906,636</u>
 PAYROLL				
ASSETS				
Cash and cash equivalents	<u>\$ 20,991</u>	<u>\$ 2,351,080</u>	<u>\$ 2,351,079</u>	<u>\$ 20,992</u>
LIABILITIES				
Due to other governmental agencies	<u>\$ 20,991</u>	<u>\$ 2,351,080</u>	<u>\$ 2,351,079</u>	<u>\$ 20,992</u>

BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 FIDUCIARY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 ALL AGENCY FUNDS
 JUNE 30, 2006

SCHEDULE 16
 (CONTINUED)

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
TOTAL				
ASSETS				
Cash and cash equivalents	\$ 863,174	\$ 5,921,540	\$ 5,854,250	\$ 930,464
Due from other funds	1,218	-	1,218	-
Total assets	<u>\$ 864,392</u>	<u>\$ 5,921,540</u>	<u>\$ 5,855,468</u>	<u>\$ 930,464</u>
LIABILITIES				
Due to other governmental agencies	<u>\$ 864,392</u>	<u>\$ 5,921,540</u>	<u>\$ 5,855,468</u>	<u>\$ 930,464</u>

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2006**

SCHEDULE 17

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through / Contract Number	FY 2006 Expenditures
<u>DEPARTMENT OF EDUCATION</u>			
Title I Grants to Local Educational Agencies			
Passed-Through Illinois State Board of Education			
<i>Title I - School Improvement & Accountability</i>	(M) 84.010A	2005-4331-SS	49,550
<i>Title I - School Improvement & Accountability</i>	(M) 84.010A	2006-4331-SS	<u>1,450,642</u>
			<u>1,500,192</u>
Special Education Grants to States			
Passed-Through Northern Suburban Special Education District			
<i>Federal Special Education IDEA Flow - Through</i>	84.027A	2005-4630-00	<u>3,824</u>
Safe and Drug-Free Schools and Communities State Grants			
Passed-Through Illinois State Board of Education			
<i>Title IV - Safe & Drug Free Schools - Formula</i>	84.186A	2006-4400-00	<u>823</u>
Fund for the Improvement of Education			
<i>Web Wise Kids</i>	84.215K	U215K050095	<u>169,821</u>
Other Federal Grants			
Passed-Through Clark, Coles, Cumberland, Douglas, Edgar, Moultrie and Shelby Counties Regional Office of Education No. 11			
<i>Standards Aligned Classroom</i>	84.289A	2006-4999-00	<u>173,931</u>
State Grants for Innovative Programs			
Passed-Through Illinois State Board of Education			
<i>Title V - Innovative Programs - SEA Projects</i>	84.298A	2006-4100-00	<u>951</u>
Reading First State Grants			
Passed-Through Illinois State Board of Education			
<i>Title I - Reading First Part B SEA Funds</i>	84.357A	2005-4337-02	39,750
<i>Title I - Reading First Part B SEA Funds</i>	84.357A	2005-4337-04	<u>40,316</u>
			<u>80,066</u>
Improving Teacher Quality State Grants			
Passed-Through Illinois State Board of Education			
<i>Title II - Teacher Quality Leadership Grant</i>	84.367A	2006-4932-00	3,303
<i>Title II - Teacher Quality Leadership Grant</i>	84.367A	2006-4935-SS	<u>80,000</u>
			<u>83,303</u>
TOTAL DEPARTMENT OF EDUCATION			\$ <u>2,012,911</u>

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2006**

**SCHEDULE 17
 (CONTINUED)**

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through / Contract Number	FY 2006 Expenditures
<u>DEPARTMENT OF AGRICULTURE</u>			
National School Lunch Program Passed-Through Illinois State Board of Education <i>National School Lunch Program</i>	10.555	2006-4210-00	\$ 12,094
TOTAL DEPARTMENT OF AGRICULTURE			\$ 12,094
<u>DEPARTMENT OF LABOR</u>			
Workforce Investment Act (WIA) Youth Activities Passed-Through Rock River Training Corporation <i>Workforce Investment Act (WIA)</i>	17.259	2005-206	\$ 53,826
TOTAL DEPARTMENT OF LABOR			\$ 53,826
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,078,831

(M) Program was audited as major program.

The accompanying notes are an integral part of this schedule.

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 1. Reporting Entity Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Boone/Winnebago Counties Regional Office of Education No. 4 and is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2. Subrecipients

The Boone/Winnebago Counties Regional Office of Education No. 4 provided federal awards totaling \$72,709 to the following:

Subrecipients	Standards Aligned Classroom (CFDA #84.289A)	Title I - School Improvement & Accountability (CFDA #84.010A)	Total
Carroll, Jo Daviess and Stephenson Counties Regional Office of Education No. 8	\$ 4,165	\$ 13,549	\$ 17,714
LaSalle County Regional Office of Education No. 35	18,580	-	18,580
Lee/Ogle Counties Regional Office of Education No. 47	6,000	415	6,415
Rock Island County Regional Office of Education No. 49	25,500	-	25,500
Whiteside County Regional Office of Education No. 55	4,500	-	4,500
Total	\$ 58,745	\$ 13,964	\$ 72,709

**BOONE/WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION NO. 4
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

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

Title I - School Improvement & Accountability provides support and guidance to school districts through this complex school improvement process so that teaching and learning are improved every year. The Illinois State Board of Education Quality Assurance Process consists of an external visit to audit each school every few years and an internal review that each school must conduct annually.

Note 4. Non-Cash Assistance

Not Applicable.

Note 5. Amount of Insurance

Not Applicable.

Note 6. Loans or Loan Guarantees Outstanding

Not Applicable.