

**State of Illinois
CARROLL, JO DAVIESS, AND
STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
FINANCIAL AUDIT**

**(In Accordance with the Single Audit Act
and OMB Circular A-133)**

For the Year Ended June 30, 2006

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

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8**

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**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8**

OFFICIALS

Regional Superintendent
(current and during the audit period)

Honorable Marie Stiefel

Assistant Regional Superintendent
(6 months during the audit period)

John B. Lang

Assistant Regional Superintendent
(5 months during the audit period)

Cathy Finch

Office is located at:

500 N. Rush St.
Stockton, Illinois 61085

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8**

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.

AUDITOR'S REPORTS

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	1	2
Repeated audit findings	1	0
Prior recommendations implemented or not repeated	1	1

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>
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FINDINGS (GOVERNMENT AUDITING STANDARDS)

06-1	11-13	Controls Over Compliance with Laws and Regulations
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PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

05-1	17	Inaccurate Expenditure Report
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EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on October 6, 2006. Attending were Honorable Marie Stiefel, Regional Superintendent, Ms. Linda Willy, Bookkeeper, and Joe Hoerschelmann, from Clifton Gunderson LLP. Responses to the recommendations were provided by Honorable Marie Stiefel, Regional Superintendent, on February 9, 2007.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8**

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 was performed by Clifton Gunderson LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's basic financial statements.

INDEPENDENT AUDITOR'S 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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8, as of and for the year ended June 30, 2006, which collectively comprise the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8, 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 our report dated October 6, 2006 on our consideration of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 18 through 32 and 64 are not a required part of the basic financial statements but are supplemental 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 supplemental 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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's basic financial statements. The accompanying supplemental information, such as the combining and individual nonmajor fund financial statements, budgetary comparison schedules and the Schedule of Disbursements to School District Treasurers and Other Entities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Henderson LLP

Clinton, Iowa
October 6, 2006

**INDEPENDENT AUDITOR'S 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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8, as of and for the year ended June 30, 2006, which collectively comprise the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's basic financial statements and have issued our report thereon dated October 6, 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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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 is 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.

Clifton Gunderson LLP

Clinton, Iowa
October 6, 2006

**INDEPENDENT AUDITOR'S 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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's management. Our responsibility is to express an opinion on the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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 on the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's compliance with those requirements.

In our opinion, the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 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. The results of our tests disclosed no instances of noncompliance that are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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.

Clifton Henderson LLP

Clinton, Iowa
October 6, 2006

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006**

Section I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: _____ Unqualified _____

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes x none reported
- Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ yes x none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.181	Early Intervention
_____	_____
_____	_____
_____	_____
_____	_____

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

Auditee qualified as low-risk auditee? x yes _____ no

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006**

Section II: Financial Statement Findings:

FINDING NO. 06-1 - Controls Over Compliance with Laws and Regulations (Repeat from 2005 - No. 05-2)

Criteria/Specific Requirements:

- A. The Illinois School Code 105 ILCS 5/3-14.11 states that the Regional Superintendent shall examine at least once each year all books, accounts, and vouchers of every school treasurer in her educational service region, and if she 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 her 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 #8 is not examining all books, accounts, and vouchers of every school treasurer in her 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 and audit reports on an annual basis.
- B. The Regional Office of Education #8 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all her acts including a list of all the schools visited and dates of visitation.
- C. The Regional Office of Education #8 performs compliance inspections for each public school in her region on a rotational basis every 3 years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006**

Section II: Financial Statement Findings:

FINDING NO. 06-1 - Controls Over Compliance with Laws and Regulations (Repeat from 2005 - No. 05-2) (Continued)

Effects:

The Regional Office of Education #8 did not comply with statutory requirements.

Causes:

- A. According to Regional Office officials, this mandate is not possible due to the time requirement and knowledge necessary for a thorough review of every school districts' books, accounts, and vouchers. The Regional Superintendent instead relies on audit opinions provided by the independent auditors of each school district.
- B. The Regional Superintendent sends an affirmed report for the September meeting only.
- C. The Regional Superintendent stated that the periodic compliance visits completed at the public schools were sufficient to satisfy the statutory requirement even though they were being done on a three year rotating basis.

Recommendations:

- A. The Regional Office of Education #8 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 to report all of her acts, including a list of all the schools visited and dates of visitation as required by 105 ILCS 5/3-5.
- C. The Regional Superintendent should visit each public school annually to review all items required by 105 ILCS 5/3-14.5.

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.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006**

Section II: Financial Statement Findings:

FINDING NO. 06-1 - Controls Over Compliance with Laws and Regulations (Repeat from 2005 - No. 05-2) (Continued)

- B. The Regional Superintendent currently submits an annual report to the three County Boards. However, to comply with the statute, the Regional Superintendent will present the affirmed report on a quarterly basis.

- C. The Regional Office of Education does conduct a Health/Life Safety inspection for each school building in the region annually. On a rotating schedule, the Regional Office also conducts compliance visits for the State Board of Education. The compliance visits include noting methods of instruction and branches taught as well as examining district policies to ensure they are in compliance with the Illinois School Code and Illinois Administrative Code. 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.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006**

Section III: Federal Award Findings:

INSTANCES OF NONCOMPLIANCE:

None

REPORTABLE CONDITIONS:

None

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
June 30, 2006**

FINDING NO. 06-1 - Controls Over Compliance with Laws and Regulations (Repeat from 2005 - No. 05-2) (Continued)

Conditions:

- A. The Regional Office of Education #8 is not examining all books, accounts, and vouchers of every school treasurer in her 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 and audit reports on an annual basis.
- B. The Regional Office of Education #8 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all her acts including a list of all the schools visited and dates of visitation.
- C. The Regional Office of Education #8 performs compliance inspections for each public school in her region on a rotational basis every 3 years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.

Plans:

- 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. In many cases, the Regional Offices of Education now serve more than one county as was not the case in 1953 when this statute was implemented. The Carroll, Jo Daviess, and Stephenson County Regional Office, for example, serves three counties; and reporting to three County Boards is considerably more time-consuming than reporting to just one board. Furthermore, the Regional Office is no longer located in any of the three county courthouses where the County Board meets. The office is in a central location that is a distance from any of the three county seats. Nonetheless, in order to comply with the statute, the Regional Superintendent will submit an affirmed report to each County Board on a quarterly basis.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
June 30, 2006**

FINDING NO. 06-1 - Controls Over Compliance with Laws and Regulations (Repeat from 2005 - No. 05-2) (Continued)

- C. In 2006, there were less than half as many Regional Superintendents as there were county superintendents in 1953, and their duties have become much more numerous. Furthermore, Regional Superintendents do not play a role in determining textbooks used, methods of instruction, or discipline policies as long as districts are in compliance with the law. Therefore, the Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove this obsolete section of the Illinois School Code. Draft legislation has been written and submitted for legislative action.

Anticipated Completion Date:

Immediately

Contact Person Responsible for Corrective Action:

Honorable Marie Stiefel, Regional Superintendent

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2006**

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
05-1	Inaccurate Expenditure Report	Resolved
05-2	Controls Over Compliance with Laws and Regulations	Repeated

Management's Discussion and Analysis

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$1,062,272 in fiscal year 2005 to \$990,891 in fiscal year 2006, while General Fund expenditures also decreased from \$1,058,104 in fiscal year 2005 to \$975,320 in fiscal year 2006. The General Fund is made up of three sub funds: Counties Support, ROE Operations, and Special Services. The reason for the decrease is that the Freeport Alternative High School generated slightly less State Aid in fiscal year 2006 than in fiscal year 2005 due to a slight decrease in average daily attendance and no ALOP participants.

Special Services is primarily made up of the revenue received in the form of State Aid generated by students attending the Freeport Alternative High School and ALOP program and the payments made by the Freeport School District #145 to the Regional Office to employ the staff for the program.

- Education Fund revenues decreased from \$2,248,602 in 2005 to \$2,205,594 in 2006. Expenses also decreased from \$2,250,572 in 2005 to \$2,198,217 in 2006.

The Education Fund is made up of twelve different grant funds the Regional Office receives through the State Board of Education along with other sources. Some grants increased while others decreased or were not funded in fiscal year 2006. The following grant programs saw decreased or lost funding in fiscal year 2006:

- Truants Alternative/Optional Education
- Technology Matters
- Title I - Reading First Part B SEA Funds
- Title IV - Safe and Drug Free Schools Formula
- Title II - Teacher Quality
- System of Support
- Standard Aligned Classroom

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

2006 FINANCIAL HIGHLIGHTS (CONTINUED)

The Early Childhood Block Grant increased by \$63,618 due to receiving funding for an additional classroom at Amity Learning Center as well as a small amount of funding to increase from four to five days of operation in the Freeport School District. The CFC Early Intervention Grant increased by \$47,191 due to an increase in caseload. The Regional Safe Schools Grant increased by \$4,588 due to a slight increase in funding statewide. Expenses were proportionally increased or decreased to meet the funding level. The only program with any noticeable carryover was the Early Intervention program with \$9,703 and that was because the program receives some local dollars in the form of memorials and contributions to an annual Family Weekend event.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 as a whole and present an overall view of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 acts solely as an agent or custodian for the benefit of those outside of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplemental Information further explains and supports the financial statements with information about the Illinois Municipal Retirement Fund Schedule of Funding Progress.

Other Supplemental Information provides detailed information about the major and nonmajor funds.

Figure A-1 summarizes the major features of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's financial statements, including the portion of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's activities they cover and the types of information they contain.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

**Figure A-1
Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Regional Office of Education #8 (except fiduciary funds)	The activities of Regional Office of Education #8 that are not proprietary or fiduciary, such as grants and statutory funds	Activities Regional Office of Education #8 operates similar to private businesses: workshops	Instances in which Regional Office of Education #8 administers resources on behalf of someone else, such as the distributive fund and Parriott Scholarship Trust
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses, and Changes in Fund Net Assets • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

**REPORTING CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES REGIONAL
OFFICE OF EDUCATION #8'S FINANCIAL ACTIVITIES**

Government-wide Financial Statements

The government-wide financial statements report information about Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's net assets and how they have changed. Net assets - the difference between Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's assets and liabilities - are one way to measure Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's financial health or financial position. Over time, increases or decreases in Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's net assets are an indicator of whether financial position is improving or deteriorating. To assess Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's overall health, additional non-financial factors, such as changes in Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's grant funding and the condition of facilities need to be considered.

In the government-wide financial statements, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's activities are divided into two categories:

- *Governmental activities:* Most of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's basic services are included here, such as grants and statutory funds. Federal and state grant proceeds finance most of these activities.
- *Business-type activities:* Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 charges fees to help cover the costs of certain services it provides. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's workshop fund is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's funds, focusing on its most significant or "major" funds - not Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 as a whole. Funds are accounting devices Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 establishes other funds to control and manage money for particular purposes, such as accounting for special revenue funds, or to show that it is properly using certain revenues, such as federal grants.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
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Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 has three kinds of funds:

1) *Governmental funds*: Most of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's programs.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's governmental funds include the General Fund and Special Revenue Funds.

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

2) *Proprietary funds*: Services for which Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 currently has one Enterprise Fund, the Workshop Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows.

3) *Fiduciary funds*: Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 is the trustee for assets that belong to others. These funds include Private-Purpose Trust Funds and Agency Funds.

- Private-Purpose Trust Funds - These are funds that exist to account for the E.H. Parriott Scholarship Trust Principal and Interest that provide scholarships for individual students.
- Agency Funds - These are funds through which Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 administers and accounts for certain federal and/or state grants on behalf of others.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8, assets exceeded liabilities by \$175,462 as of June 30, 2006.

A portion of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's net assets (11 %) reflects its investment in capital assets (e.g., furniture and equipment), less any related debt used to acquire those assets that are still outstanding. Although Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table presents a summary of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's net assets for the fiscal year ended June 30, 2006 and 2005.

<u>2006</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Current assets	\$ 196,831	\$ 80,185	\$ 277,016
Capital assets, net of accumulated depreciation	<u>19,435</u>	<u>-</u>	<u>19,435</u>
Total assets	<u>216,266</u>	<u>80,185</u>	<u>296,451</u>
Current liabilities	<u>111,619</u>	<u>9,370</u>	<u>120,989</u>
Net assets			
Invested in capital assets, net of related debt	19,435	-	19,435
Unrestricted	41,819	70,815	112,634
Restricted for teacher professional development	<u>43,393</u>	<u>-</u>	<u>43,393</u>
Total net assets	<u>\$ 104,647</u>	<u>\$ 70,815</u>	<u>\$ 175,462</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

<u>2005</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Current assets	\$ 204,609	\$ 59,445	\$ 264,054
Capital assets, net of accumulated depreciation	27,210	-	27,210
Total assets	<u>231,819</u>	<u>59,445</u>	<u>291,264</u>
Current liabilities	<u>139,727</u>	<u>270</u>	<u>139,997</u>
Net assets			
Invested in capital assets, net of related debt	27,210	-	27,210
Unrestricted	17,846	59,175	77,021
Restricted for teacher professional development	<u>47,036</u>	<u>-</u>	<u>47,036</u>
Total net assets	<u>\$ 92,092</u>	<u>\$ 59,175</u>	<u>\$ 151,267</u>

The largest portion of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's net assets is unrestricted. Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. Unrestricted net assets were \$112,634 at year end. In addition, net assets related to the Institute Fund are considered restricted for teacher professional development.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Changes in net assets. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's total revenue for the fiscal year ended June 30, 2006 was \$3,415,537. The total cost of all programs and services was \$3,391,342. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2006 and 2005.

<u>2006</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Revenues			
Program revenues			
Charges for services	\$ -	\$ 150,575	\$ 150,575
Operating grants and contributions	2,459,107	-	2,459,107
General revenues			
Local sources	576,782	-	576,782
State sources	28,145	-	28,145
On-behalf payments	194,597	-	194,597
Investment earnings	-	998	998
Interest income	<u>5,333</u>	<u>-</u>	<u>5,333</u>
Total revenues	<u>3,263,964</u>	<u>151,573</u>	<u>3,415,537</u>
Expenses			
Instructional services			
Salaries	916,833	-	916,833
Employee benefits	209,628	-	209,628
Purchased services	851,834	-	851,834
Supplies and materials	65,163	-	65,163
Capital outlay	5,074	-	5,074
Depreciation	7,775	-	7,775
Payments to other governments	1,000,037	-	1,000,037
Other objects	468	-	468
Administrative			
On-behalf payments	194,597	-	194,597
Other	<u>-</u>	<u>139,933</u>	<u>139,933</u>
Total expenses	<u>3,251,409</u>	<u>139,933</u>	<u>3,391,342</u>
Change in net assets	12,555	11,640	24,195
Net assets, beginning	<u>92,092</u>	<u>59,175</u>	<u>151,267</u>
Net assets, ending	<u>\$ 104,647</u>	<u>\$ 70,815</u>	<u>\$ 175,462</u>

Operating grants and contributions account for 72% of the total revenue. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's expenses primarily relate to instructional services, which account for 94% of the total expenses.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

<u>2005</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Revenues			
Program revenues			
Charges for services	\$ -	\$ 92,391	\$ 92,391
Operating grants and contributions	2,245,935	-	2,245,935
General revenues			
Local sources	508,175	-	508,175
State sources	279,718	-	279,718
On-behalf payments	308,198	-	308,198
Investment earnings	-	1,343	1,343
Interest income	5,861	-	5,861
	<u>3,347,887</u>	<u>93,734</u>	<u>3,441,621</u>
Total revenues			
Expenses			
Instructional services			
Salaries	855,232	-	855,232
Employee benefits	190,860	-	190,860
Purchased services	906,752	-	906,752
Supplies and materials	57,969	-	57,969
Capital outlay	5,567	-	5,567
Depreciation	8,065	-	8,065
Payments to other governments	1,040,652	-	1,040,652
Other objects	649	-	649
Administrative			
On-behalf payments	308,198	-	308,198
Other	-	113,792	113,792
	<u>3,373,944</u>	<u>113,792</u>	<u>3,487,736</u>
Total expenses			
Change in net assets	(26,057)	(20,058)	(46,115)
Net assets, beginning	<u>118,149</u>	<u>79,233</u>	<u>197,382</u>
Net assets, ending	<u>\$ 92,092</u>	<u>\$ 59,175</u>	<u>\$ 151,267</u>

Operating grants and contributions account for 65% of the total revenue. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's expenses primarily relate to instructional services, which account for 88% of the total expenses.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

Governmental Activities

Revenues for governmental activities were \$3,263,964 and \$3,347,887 and expenses were \$3,251,409 and \$3,373,944 for 2006 and 2005, respectively.

The following tables present the cost of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's functional governmental activities. The tables also show each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's residents by each of these functions.

<u>2006</u>	<u>Total Expenses</u>	<u>Net (Expenses) Revenues</u>
Instructional services		
Salaries	\$ 916,833	\$ (202,103)
Employee benefits	209,628	(42,653)
Purchased services	851,834	(177,888)
Supplies and materials	65,163	(33,769)
Capital outlay	5,074	(672)
Depreciation	7,775	(7,775)
Payments to other governments	1,000,037	(132,377)
Other objects	468	(468)
Administrative		
On-behalf payments	<u>194,597</u>	<u>(194,597)</u>
Total expenses	<u>\$ 3,251,409</u>	<u>\$ (792,302)</u>
<u>2005</u>	<u>Total Expenses</u>	<u>Net (Expenses) Revenues</u>
Instructional services		
Salaries	\$ 855,232	\$ (294,622)
Employee benefits	190,860	(17,948)
Purchased services	906,752	(187,222)
Supplies and materials	57,969	(29,561)
Capital outlay	5,567	(5,567)
Depreciation	8,065	(8,065)
Payments to other governments	1,040,652	(276,177)
Other objects	649	(649)
Administrative		
On-behalf payments	<u>308,198</u>	<u>(308,198)</u>
Total expenses	<u>\$ 3,373,944</u>	<u>\$ (1,128,009)</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
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- The cost of all governmental activities was \$3,251,409 and \$3,373,944 for 2006 and 2005, respectively.
- Federal and state governments subsidized certain governmental activities with grants and contributions of \$2,459,107 and \$2,245,935 for 2006 and 2005, respectively.

Net cost of governmental activities (\$792,302), was financed by general revenues, which are made up of primarily local and state sources (\$604,927) and on-behalf payments (\$194,597). Interest income made up the difference (\$5,333) for 2006.

Net cost of governmental activities (\$1,128,009), was financed by general revenues, which are made up of primarily local and state sources (\$787,893) and on-behalf payments (\$308,198). Interest income made up the difference (\$5,861) for 2005.

Business-Type Activities

Revenues for business-type activities were \$151,573 and \$93,734 and expenses were \$139,933 and \$113,792 for 2006 and 2005, respectively. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's business-type activities include the Workshop Fund. Revenues of these activities were comprised of charges for service, local reimbursements, and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 as a whole is reflected in its governmental funds, as well. As Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 completed the year, its governmental funds reported a combined fund balance of \$85,212, above last year's ending fund balances of \$64,882.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

Governmental Fund Highlights

The General Fund fund balance increased from \$11,501 in 2005 to \$27,072 in 2006. The increase in fund balance was small in comparison to expenditures of \$975,320. The Special Services sub fund was the source of increase due to the fact that there is a short turn-around time between when the Office receives the June State Aid payment and payments are either received or made to support the Freeport Alternative High School. Funds are needed to help cover July and early August costs when no State Aid payments are received.

The Education Fund fund balance increased from \$2,326 in 2005 to \$9,703 in 2006. The Education Fund is primarily made up of grants the Regional Office receives and this can vary greatly from year to year as some programs are discontinued while others see a funding increase. Over the various programs that make up the fund, total revenues exceeded expenditures by \$7,377 thus raising the fiscal year 2005 balance from \$2,326 to \$9,703 in fiscal year 2006. In consideration that the total Education Fund revenue is \$2,205,594, \$7,377 is a very small change. In the past couple of years, there has been a trend to freeze or reduce funding for programs that have been traditionally Regional Office grants.

Proprietary Fund Highlights

Workshop Fund net assets increased from \$59,175 at June 30, 2005 to \$70,815 at June 30, 2006, representing an increase of approximately 20%. The Workshop Fund's assets are primarily made up of funds the Regional Office receives and expends in providing for-credit college course work and workshops for professional development.

The Workshop Fund revenues have increased from \$92,391 in fiscal year 2005 to \$150,575 in fiscal year 2006 due to an increase in the fees charged for participants in the workshops.

Part of the revenue received is used to offset the salary and benefits of the Regional Office School Improvement consultants' time to develop and monitor the various summer courses.

BUDGETARY HIGHLIGHTS

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 is not required to create a budget for overall operations. They are required to prepare budgets for most of the grants they receive. Over the course of the year, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 amended several of the grant budgets within the Education Fund. Budgets for grant programs are adjusted because of an increase or decrease in funding due to changes at the State level or to better allocate funds received to meet the needs of the program.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

CAPITAL ASSETS

As of June 30, 2006, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 had invested \$161,190 in capital assets, including furniture and equipment. This amount was the same when compared to 2005. Total depreciation expense for the year was \$7,775.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2006.

	Governmental Activities	Business-Type Activities	Total
Furniture and equipment	\$ <u>19,435</u>	\$ <u>-</u>	\$ <u>19,435</u>

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2005.

	Governmental Activities	Business-Type Activities	Total
Furniture and equipment	\$ <u>27,210</u>	\$ <u>-</u>	\$ <u>27,210</u>

Additional information on Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's capital assets can be found in Note 6 on page 59 of this report.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

ECONOMIC FACTORS BEARING ON CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES REGIONAL OFFICE OF EDUCATION #8'S FUTURE

At the time these financial statements were prepared and audited, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 was aware of several existing circumstances that could significantly affect its financial health in the future:

The primary source of funding for Regional Office programs is state grant dollars. Given the fact that the State of Illinois continues to experience budgetary crisis, the prognosis for future funding for Regional Office services is bleak. Due to cutbacks at the State Board of Education over the past few years, Regional Offices have necessarily played a larger role in dealing with a number of issues, including certification and NCLB Highly Qualified status. Therefore, there is reason for some hope that the Offices may realize some increase in their ROE Services line.

The TAOEP Task Force recently completed its report, which recommends changing the TAOEP grant from a strictly competitive grant system to a formula-funded system. If this recommendation is adopted, Regional Office of Education #8 would lose over \$30,000 in TAOEP grant funds. In order to hold harmless existing programs, an additional \$3 million would have to be budgeted for this line item at the state level.

The major portion of System of Support (SOS) funds are now allotted to Title I schools. Since our region does not have any Title I schools on the Academic Early Warning or Watch lists, it is likely that we will continue to see fewer SOS dollars for our region.

The Governor and legislature continue to show a commitment to programs for young children. The Regional Office has strong programming through the Early Childhood Block Grant and anticipates that it will continue to receive at least maintenance level funding for this program. Unfortunately, however, there has been a pattern over the last few years of granting dollars for new programs at the expense of cost of living increases for existing programs.

Neither Regional Superintendents nor Assistant Superintendents have received the statutorily prescribed increase in salary the past four years due to the State's economic situation.

CONTACTING CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES REGIONAL OFFICE OF EDUCATION #8'S FINANCIAL MANAGEMENT

This financial report is designed to provide Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's citizens, taxpayers, customers, and creditors with a general overview of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's finances and to demonstrate Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8, 500 North Rush Street, Stockton, Illinois 61085.

BASIC FINANCIAL STATEMENTS

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF NET ASSETS
June 30, 2006

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 79,465	\$ 80,185	\$ 159,650
Due from other governments	117,366	-	117,366
Total current assets	196,831	80,185	277,016
Non-current assets:			
Capital assets, being depreciated, net	19,435	-	19,435
Total assets	216,266	80,185	296,451
LIABILITIES			
Current liabilities:			
Accounts payable	-	9,370	9,370
Accrued payroll and employee benefits	110,768	-	110,768
Due to other governments	851	-	851
Total current liabilities	111,619	9,370	120,989
NET ASSETS			
Investment in capital assets, net of related debt	19,435	-	19,435
Unrestricted	41,819	70,815	112,634
Restricted for teacher professional development	43,393	-	43,393
Total net assets	\$ 104,647	\$ 70,815	\$ 175,462

These financial statements should be read only in connection with the accompanying independent auditor's report, summary of significant accounting policies, and notes to financial statements.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

EXHIBIT B

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
Instructional services:						
Salaries	\$ 916,833	\$ -	\$ 714,730	\$ (202,103)	\$ -	\$ (202,103)
Employee benefits	209,628	-	166,975	(42,653)	-	(42,653)
Purchased services	851,834	-	673,946	(177,888)	-	(177,888)
Supplies and materials	65,163	-	31,394	(33,769)	-	(33,769)
Capital outlay	5,074	-	4,402	(672)	-	(672)
Depreciation	7,775	-	-	(7,775)	-	(7,775)
Payments to other governments	1,000,037	-	867,660	(132,377)	-	(132,377)
Other objects	468	-	-	(468)	-	(468)
Administrative:						
On-behalf payments	194,597	-	-	(194,597)	-	(194,597)
Total governmental activities	<u>3,251,409</u>	<u>-</u>	<u>2,459,107</u>	<u>(792,302)</u>	<u>-</u>	<u>(792,302)</u>
Business-type activities:						
Other	<u>139,933</u>	<u>150,575</u>	<u>-</u>	<u>-</u>	<u>10,642</u>	<u>10,642</u>
Total primary government	<u>\$ 3,391,342</u>	<u>\$ 150,575</u>	<u>\$ 2,459,107</u>	<u>(792,302)</u>	<u>10,642</u>	<u>(781,660)</u>
General revenues:						
Local sources				576,782	-	576,782
State sources				28,145	-	28,145
On-behalf payments				194,597	-	194,597
Investment earnings				-	998	998
Interest income				5,333	-	5,333
Total general revenue				<u>804,857</u>	<u>998</u>	<u>805,855</u>
CHANGES IN NET ASSETS				<u>12,555</u>	<u>11,640</u>	<u>24,195</u>
NET ASSETS, BEGINNING OF YEAR				<u>92,092</u>	<u>59,175</u>	<u>151,267</u>
NET ASSETS, END OF YEAR				<u>\$ 104,647</u>	<u>\$ 70,815</u>	<u>\$ 175,462</u>

These financial statements should be read only in connection with the accompanying independent auditor's report, summary of significant accounting policies, and notes to financial statements.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

EXHIBIT C

		Special Revenue		
	General Fund	Education Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash (overdrafts) and cash equivalents	\$ 35,485	\$ (5,308)	\$ 49,288	\$ 79,465
Due from other governments	102,355	15,011	-	117,366
TOTAL ASSETS	\$ 137,840	\$ 9,703	\$ 49,288	\$ 196,831
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accrued expenses	\$ 110,768	\$ -	\$ -	\$ 110,768
Due to other governments	-	-	851	851
Total liabilities	110,768	-	851	111,619
FUND BALANCES				
Unreserved, reported in:				
General fund	27,072	-	-	27,072
Special revenue funds	-	9,703	48,437	58,140
Total fund balances	27,072	9,703	48,437	85,212
TOTAL LIABILITIES AND FUND BALANCES	\$ 137,840	\$ 9,703	\$ 49,288	\$ 196,831

These financial statements should be read only in connection with the accompanying independent auditor's report, summary of significant accounting policies, and notes to financial statements.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2006**

Total fund balances of governmental funds (page 36)	\$ 85,212
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>19,435</u>
Net assets of governmental activities (page 34)	<u><u>\$ 104,647</u></u>

These financial statements should be read only in connection with the
accompanying independent auditor's report, summary of significant
accounting policies, and notes to financial statements.

REGIONAL OFFICE OF EDUCATION #8

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2006

	Special Revenue			Total Governmental Funds
	General Fund	Education Fund	Other Nonmajor Funds	
REVENUES:				
Local sources				
Counties support	\$ 133,573	\$ -	\$ -	\$ 133,573
Interest	4,536	797	-	5,333
Service revenue	315,878	-	-	315,878
Miscellaneous	-	63,572	63,759	127,331
Total local sources	453,987	64,369	63,759	582,115
State sources	342,307	1,509,242	3,720	1,855,269
Federal sources	-	631,983	-	631,983
On-behalf payments	194,597	-	-	194,597
Total revenues	990,891	2,205,594	67,479	3,263,964
EXPENDITURES:				
Current:				
Education:				
Salaries	334,542	575,751	6,540	916,833
Employee benefits	35,225	173,526	877	209,628
Purchased services	113,753	683,075	55,006	851,834
Supplies and materials	26,263	31,694	7,206	65,163
Capital outlay	5,074	-	-	5,074
Payments to other governments	265,866	734,171	-	1,000,037
Other objects	-	-	468	468
On-behalf payments	194,597	-	-	194,597
Total expenditures	975,320	2,198,217	70,097	3,243,634
NET CHANGE IN FUND BALANCES	15,571	7,377	(2,618)	20,330
FUND BALANCE, BEGINNING OF YEAR	11,501	2,326	51,055	64,882
FUND BALANCE, END OF YEAR	\$ 27,072	\$ 9,703	\$ 48,437	\$ 85,212

These financial statements should be read only in connection with the accompanying independent auditor's report, summary of significant accounting policies, and notes to financial statements.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006**

Net change in fund balances (page 38) \$ 20,330

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	\$ -	
Depreciation expense	<u>(7,775)</u>	<u>(7,775)</u>

Change in net assets of governmental activities (page 35) \$ 12,555

These financial statements should be read only in connection with the
accompanying independent auditor's report, summary of significant
accounting policies, and notes to financial statements.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006**

	<u>Business-Type Activities - Enterprise Fund Workshops</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 80,185
LIABILITIES	
Current liabilities:	
Accounts payable	<u>9,370</u>
NET ASSETS	
Unrestricted	<u><u>\$ 70,815</u></u>

These financial statements should be read only in connection with the accompanying independent auditor's report, summary of significant accounting policies, and notes to financial statements.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2006

	<u>Business-Type Activities - Enterprise Fund Workshops</u>
Operating revenues:	
Charges for services	<u>\$ 150,575</u>
Operating expenses:	
Current:	
Education:	
Salaries	894
Employee benefits	487
Purchased services	137,579
Supplies and materials	973
Total operating expenses	<u>139,933</u>
Operating income	10,642
Nonoperating income:	
Investment income	<u>998</u>
Income before contributions, gains/losses, and transfers	11,640
Total net assets, beginning	<u>59,175</u>
Total net assets, ending	<u><u>\$ 70,815</u></u>

These financial statements should be read only in connection with the accompanying independent auditor's report, summary of significant accounting policies, and notes to financial statements.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2006

	<u>Business-Type Activities - Enterprise Fund Workshops</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from workshops	\$ 150,575
Payments to suppliers and providers of goods and services	(129,452)
Payments to employees	(1,381)
Net cash provided by operating activities	<u>19,742</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	<u>998</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	20,740
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>59,445</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 80,185</u></u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 10,642
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase in accounts payable	<u>9,100</u>
Net cash provided by operating activities	<u><u>\$ 19,742</u></u>

These financial statements should be read only in connection with the
accompanying independent auditor's report, summary of significant
accounting policies, and notes to financial statements.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2006

	<u>Private-Purpose Trusts</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 47,932	\$ 6,488
Investments	783,715	-
Rent receivable	14,122	-
Interest receivable	1,613	-
Due from other funds	17,401	-
Property and equipment, net	758,508	-
Total assets	<u>1,623,291</u>	<u>6,488</u>
LIABILITIES		
Accounts payable	4,992	-
Due to other funds	17,401	-
Deposits	2,600	-
Due to other governmental units	-	6,488
Deferred revenue	7,804	-
Total liabilities	<u>32,797</u>	<u>6,488</u>
NET ASSETS		
Held in trust for other purposes	<u>\$ 1,590,494</u>	<u>\$ -</u>

These financial statements should be read only in connection with the accompanying independent auditor's report, summary of significant accounting policies, and notes to financial statements.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2006**

	Private-Purpose Trusts
ADDITIONS:	
Local sources	
Rent	\$ 94,798
Interest and dividends	34,357
Total additions	129,155
DEDUCTIONS:	
Purchased services	28,760
Scholarships	67,750
Depreciation	9,244
Total deductions	105,754
EXCESS OF ADDITIONS OVER DEDUCTIONS	23,401
OTHER FINANCING SOURCES (USES):	
Transfers in	111,365
Transfers out	(111,365)
Total other financing sources (uses)	-
CHANGES IN NET ASSETS	23,401
NET ASSETS, BEGINNING OF YEAR	1,567,093
NET ASSETS, END OF YEAR	\$ 1,590,494

These financial statements should be read only in connection with the accompanying independent auditor's report, summary of significant accounting policies, and notes to financial statements.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006**

REPORTING ENTITY

The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 is an entity that is a result of an Educational Service Region becoming a Regional Office of Education as of August 7, 1995. The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 operates under the School Code (105 ILCS 5/3 and 5/3A). The Regional Office of Education #8 encompasses Carroll, Jo Daviess, and Stephenson Counties in Illinois. A Regional Superintendent of Schools serves as chief administrative officer and is elected pursuant to 105 ILCS 5/3 and 5/3A of the School Code. The principal financial duty of the Regional Superintendent is to receive and distribute monies due to school districts from general state aid, state categorical grants, and various other sources.

The functions of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 include, but are not limited to the following:

- Processing teachers' certificates
- Teaching initial and refresher classes for school bus drivers within Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8
- Review life/safety requirements for schools in conjunction with the State of Illinois
- Issuing newsletters regarding new Illinois life/safety requirements
- Monitoring compliance with State laws and Department of Education policies and procedures
- 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

The Regional Office of Education #8's reporting entity includes all related organizations for which the Regional Office of Education #8 exercises oversight responsibility in accordance with Statement No. 14 of the Governmental Accounting Standards Board.

The Superintendent has developed criteria to determine whether outside agencies with activities which benefit the citizens served by the Regional Office of Education #8 should be included within its financial reporting entity. The criteria includes, but is not limited to whether the Superintendent (1) selects the governing authority or management, (2) has the ability to significantly influence operations, or (3) has accountability for fiscal matters (i.e., financial budget approval, management of assets, etc.). The Superintendent has determined that no outside agency meets the above criteria and, therefore, no agency has been included as a component unit in the financial statements. In addition, the Superintendent is not aware of any entity which would exercise such oversight which would result in the Regional Office of Education #8 being considered a component unit of the entity.

The Regional Office of Education #8 is the Administrative Agent for three joint agreements - the Jo Daviess-Carroll Area Vocational Center, the Eagle Ridge Vocational Delivery System, and the Carroll-Jo Daviess-Stephenson Educational Intergovernmental Agreement. These joint agreements are not considered part of the Regional Office of Education #8's GAAP reporting entity and are not included in these financial statements.

The Jo Daviess-Carroll Area Vocational Center provides advanced vocational training to high school juniors and seniors and adults seeking retraining.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006

The Eagle Ridge Vocational Delivery System includes all the Jo Daviess County school districts and the West Carroll school districts in Carroll County. It allocates state vocational funding among member districts and updates vocational programs into sequential programs leading to marketable skills. The Delivery System reimburses the Regional Office of Education #8 for certain administrative costs.

The Carroll-Jo Daviess-Stephenson Educational Intergovernmental Agreement allows school districts in each county to participate in various joint programs such as criminal background investigations on substitute teachers and centralized scoring of standardized tests. The Agreement is also used as an umbrella organization for grants and cooperative bidding. The Regional Office of Education #8 makes payments to the Agreement.

BASIS OF PRESENTATION

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the activities of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by intergovernmental and local revenues.

The Statement of Net Assets presents Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for any debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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 clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006**

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column within the governmental funds in the financial section of the basic financial statements and are detailed in the supplemental information.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 reports the following major governmental funds:

The General Fund is the operating fund of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The following funds are the general funds of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8:

Counties Support - used to account for monies received for, and payment of, expenditures in connection with general administration activities. The source of these monies is from the three county boards for which the Regional Office of Education #8 serves.

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

Special Services - used to account for various miscellaneous expenditures as approved by the Regional Office of Education #8. Revenues are primarily derived from interest earnings or invested cash and reimbursements from other entities for administration and accounting for miscellaneous grants and programs.

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

Title V - Innovative Programs Formula - used to account for grant monies received for, and payment of, expenses of the Title V - Innovative Programs Formula.

Truants Alternative/Optional Ed. - used to account for grant monies received for, and payment of, expenses of the Truants Alternative Program.

Early Childhood Preschool at Risk - used to account for grant monies received for, and payment of, expenses for developing and operating programs for parents of young children.

Regional Safe Schools - used to account for grant monies received for, and payment of, expenses for facility renovation and other areas of school improvement.

Learning Technology Center - used to account for grant monies received for, and payment of, the expenses associated with the Learning Technology Center.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006**

Title I - Reading First Part B SEA Funds - used to account for grant monies received for, and payment of, expenses in the administration of the Reading First Academy Statewide Delivery Grant.

Title IV - Safe and Drug Free Schools Formula - used to account for cash receipts from the State for federal assistance programs and distributed to treasurers of school districts and other agencies for drug education.

Early Intervention Infants/Toddlers - used to account for grant monies received for and payment of, expenses for an early intervention program for special needs children. Program is also called Community Access Point/System Point of Entry (CAP/SPOE).

Title II Teacher Quality - used to account for grant monies received for, and payment of, expenditures incurred in providing workshops to improve teacher quality.

System of Support - used to account for monies received for, and expenditures incurred associated with the system of support program.

Standard Aligned Classroom - used to account for grant monies received for, and expenditures incurred associated with summer classroom activities.

Workforce Investment Act - used to account for grant monies received for, and expenditures incurred to provide financial and technical assistance to qualified recipients in order to support workforce investment activities.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 reports the following nonmajor governmental funds:

General Educational Development - used to account for resources accumulated for, and payment of, expenses of administering the General Educational Development test. Statute requires excess funds accumulated for periods exceeding three years to be transferred into the Institute Fund.

Bus Driver - used to account for resources accumulated for, and payment of, expenses of issuing school bus driver permits and administering school bus driver training.

Supervisory - used to account for resources accumulated for, and payment of, expenses of providing supervisory service in the Regional Office of Education #8.

Institute - used to account for resources accumulated for, and payment of, expenses of administering teachers' institutes, workshops, and meetings. All funds generated remain restricted until expended only on the aforementioned activities.

Medical Reimbursement - collection of payroll deduction from participating employees. The Regional Superintendent is responsible for reimbursing the cost of employee's medical expenses.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006**

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 reports the following major proprietary fund:

Workshop - used to account for workshops associated with various grant programs.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 also reports fiduciary funds which focus on net assets and changes in net assets. They include the following:

The Private-Purpose Trust Fund is used to account for assets held by the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 under trust agreements which require income earned to be used to benefit individuals through scholarship awards. The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 private-purpose trust funds include the following:

E.H. Parriott Scholarship Trust Principal - used to maintain the trust principal. Income is used to pay for scholarships.

E.H. Parriott Scholarship Trust Income - used to account for day-to-day operations of farm and to pay out scholarships from investment and farm income.

The Agency Fund is used to account for assets held by the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations. The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 agency funds include the following:

Distributive - State and Federal funds are distributed by the Illinois State Board of Education to the Regional Office of Education #8. The Regional Office of Education #8 is responsible for forwarding these monies to local school districts and others in Carroll, Jo Daviess, and Stephenson Counties.

Distributive Interest - used to account for interest earned on flow-through funds to be distributed to local school districts received from the Illinois State Board of Education. The Superintendent uses the interest money to develop inservice activities and other innovative programs, with the consent of all affected school boards and other entities.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006**

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 records on-behalf payments made by the State to the Teachers' Retirement System as revenue and expenditures.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Capital asset acquisitions are reported as expenditures in governmental funds.

Under the terms of grant agreements, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. The principal operating revenues of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006**

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 maintains its financial records on the cash basis. The financial statements of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 are prepared by making memorandum adjusting entries to the cash basis financial records.

ASSETS, LIABILITIES AND FUND EQUITY

The following accounting policies are followed in preparing the balance sheet:

Cash and investments - The cash and investment balances of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 are valued at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Due from other governments - Due from other governments represents amounts due from the Illinois State Board of Education.

Capital assets - Capital assets, which include furniture and equipment, are reported in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 as assets with an initial, individual cost in excess of \$500 and estimated useful lives in excess of two years. Capital assets are depreciated using the straight line method over 5-10 years.

Property, plant and equipment in the private-purpose trust fund are recorded at cost.

Property, plant and equipment are depreciated in the private-purpose trust fund using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20

Fund equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted net assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006**

BUDGETS AND BUDGETARY ACCOUNTING

The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 prepares a budget for each of its grants and for the support it receives from its three counties. Some of these budgets cover different periods than the Regional Office of Education #8's fiscal year.

The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's accounting records must be sophisticated enough to both (1) assure and demonstrate compliance with each budget during the period it covers and (2) also permit the reporting of the financial position and results of operations of each fund and fund type in GAAP financial statements covering its fiscal year.

Budgetary comparisons and budgetary compliance are discussed in Note 5 - Budgetary comparisons and budgetary compliance.

This information is an integral part of the accompanying financial statements.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

NOTE 1 - DEPOSITS AND INVESTMENTS

The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's cash and cash equivalents are considered to be demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The deposit and investment of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 monies is governed by the provisions of the Illinois Compiled Statutes.

Deposits

At June 30, 2006, the carrying amount of the Regional Office of Education #8's deposits were \$214,070 (net of cash overdrafts) and the bank balance was \$573,068.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's deposits may not be returned. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 does not have a deposit policy for custodial credit risk. As of June 30, 2006, all of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's deposits were either covered by FDIC insurance or covered by collateral held by the financial institution in Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's name.

A reconciliation of cash as shown on the Statement of Net Assets for the primary government is as follows:

	<u>Carrying Amount</u>
Cash - Primary Government	\$ 159,650
Cash - Private-Purpose Trusts	47,932
Cash - Agency	<u>6,488</u>
Total	<u>\$ 214,070</u>

Investments - Private-Purpose Trusts

Investments of the E.H. Parriott Scholarship Trust Funds are held in a trust account. These investments are also collateralized by securities held by an agent of the bank in the bank's name.

Interest Rate Risk - Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk and Concentration of Credit Risk - Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 does not have a formal investment policy that would limit its investment choices or would limit the amount Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 may invest in one issuer.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2006, investments included the following:

	<u>Morningstar Rating</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Principal fund			
Cash equivalents			
Mutual funds			
First American Prime Obligation Fund Class Y	Unrated	\$ 13,462	\$ 13,462
Fixed income investments			
Mutual funds			
First American Core Bond Fund Class Y	★★★	31,500	31,383
First American Inflation Pro Sec Class Y	Unrated	60,000	60,000
First American Intermediate Term Bond Fund Class Y	★★★	128,678	120,792
First American Short Term Bond Fund Class Y	★★★	205,945	199,650
Total fixed income investments		<u>426,123</u>	<u>411,825</u>
Equity investments			
Mutual funds			
American Century Capital Value Class Inv	★★★★★	30,638	35,538
Fidelity Advance Diversified International Class A	★★★★★	37,308	49,998
First American Equity Index Fund Class Y	★★★	60,659	69,651
First American Mid Cap Index Fund Class Y	★★★	6,128	7,274
First American Real Estate Securities Fund Class Y	★★★★★	11,628	12,883
T Rowe Price Growth Stock Class Adv	★★★★★	30,638	36,501
T Rowe Price Small Cap Value Fund	★★★★★	5,504	6,846
Total equity investments		<u>182,503</u>	<u>218,691</u>
Total principal fund		<u>622,088</u>	<u>643,978</u>
Income fund			
Cash equivalents			
Mutual funds			
First American Prime Obligation Fund Class Y	Unrated	24,472	24,472
Fixed income investments			
Mutual funds			
First American Core Bond Fund Class Y	★★★	108,280	101,899
First American Inflation Pro Sec Class Y	Unrated	28,875	26,903
Total fixed income investments		<u>137,155</u>	<u>128,802</u>
Total income fund		<u>161,627</u>	<u>153,274</u>
Total investments		<u>\$ 783,715</u>	<u>\$ 797,252</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

NOTE 2 - ON-BEHALF PAYMENTS

Salaries of the Regional Superintendent and his first assistant are paid by the State of Illinois. All other salaries with the exception of employees paid by the Special Services Fund, are paid by Carroll, Jo Daviess, and Stephenson Counties. Pension plan contributions associated with these salaries are also paid respectively, by the State of Illinois and Carroll, Jo Daviess, and Stephenson Counties. Employees of the Special Services Fund and the applicable pension plan contributions are paid by the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8.

A breakdown of the on-behalf payments are as follows:

Regional Superintendent - salary	\$ 84,737
Regional Superintendent - benefits (includes state paid insurance)	12,258
Assistant Regional Superintendent - salary	67,048
Assistant Regional Superintendent - benefits (includes state paid insurance)	461
TRS on-behalf payments	<u>30,093</u>
Total on-behalf payments	<u>\$ 194,597</u>

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

NOTE 3 - EMPLOYEE BENEFIT PLAN

The Regional Office of Education #8's employees are covered under the Illinois Municipal Retirement Fund. Contributions to the Fund are made by Carroll, Jo Daviess, and Stephenson Counties and the Regional Office of Education #8 through grant monies on behalf of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education staff employees and grant coordinators.

Carroll, Jo Daviess, and Stephenson Counties are participating members of the Illinois Municipal Retirement Fund whose coverage includes all Regional Office of Education #8 employees who:

- a. Occupy a job normally requiring 1,000 hours or more per year;
- b. are paid on a regular payroll from County or Regional Office of Education #8 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.

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

The Superintendent of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education is paid by the State of Illinois. Certain staff employees of the Regional Office of Education #8's office are employed and paid by Carroll, Jo Daviess, or Stephenson Counties (other support staff and grant coordinators are paid by the Region through grant monies). Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education has no separate employee benefit plan.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

NOTE 3 - EMPLOYEE BENEFIT PLAN (CONTINUED)

Illinois Municipal Retirement Fund

The Regional Office of Education #8'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 percent of their annual covered salary. The member rate is established by state statute. The Regional Office of Education #8 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2005 was 12.32 percent 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 Regional Office of Education #8's annual pension cost of \$122,163 was equal to the Regional Office of Education #8's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2005 actuarial valuation were based on the 2002-2004 experience study.

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	\$ 122,163	100%	\$ -
12/31/04	84,985	100%	-
12/31/03	64,931	100%	-
12/31/02	62,556	100%	-
12/31/01	55,874	100%	-
12/31/00	42,689	100%	-
12/31/99	76,971	100%	-
12/31/98	66,632	100%	-
12/31/97	47,137	100%	-
12/31/96	34,789	100%	-

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 4 - RETIREMENT PLANS

Teachers' Retirement System of the State of Illinois

The Regional Office of Education #8 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and 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 the 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 Regional Office of Education #8 THIS Fund contribution was 0.6 percent during the year ended June 30, 2006, and the member THIS Fund health insurance contribution was 0.80 percent.

The State of Illinois makes contributions directly to TRS on behalf of the Regional Office of Education #8's TRS-covered employees.

- **On-behalf Contributions.** The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #8. For the year ended June 30, 2006, the State of Illinois contributions were based on 7.06 percent of creditable earnings, and the Regional Office of Education #8 recognized revenue and expenditures of \$30,093 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 (\$34,631) and 13.98 percent (\$33,227), respectively.

The Regional Office of Education #8 makes other types of employer contributions directly to TRS.

- **2.2 Formula Contributions.** Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. Contribution for the year ended June 30, 2006 was \$1,857. Contributions for the years ending June 30, 2005, and June 30, 2004, were \$2,232 and \$2,141, respectively.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 4 - RETIREMENT PLANS (CONTINUED)

- **Federal and Trust Fund Contributions.** When TRS members are paid from federal and trust funds administered by the Regional Office of Education #8, there is a statutory requirement for the Regional Office of Education #8 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 paid from federal and trust funds will be the same as the state contribution rate for 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 years ended June 30, 2006, June 30, 2005, and June 30, 2004, there were no salaries that qualified for this plan.
- **Early Retirement Option.** The Regional Office of Education #8 is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member and under which ERO program the member retires. Under Public Act 94-0004 a "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007. If members do not meet these conditions, they can retire under the "Modified ERO" program which requires higher member and employer contributions to TRS. Also, under Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service (unless the member qualifies in 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, June 30, 2005, and June 30, 2004, the Regional Office of Education #8 paid no employer contributions under the Early Retirement Option.

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.state.il.us.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 - BUDGETARY COMPARISONS AND BUDGETARY COMPLIANCE

To demonstrate compliance with applicable budgetary requirements, GAAP financial statements generally include comparisons of actual results of operations to budgeted amounts for individual funds for which a budget is adopted for the period covered by the budget. Regional Office of Education #8 did not formally adopt a budget for the year ended June 30, 2006 and is not legally required to do so. The Illinois State Board of Education requires budgets for certain state and federal programs. Budgets for the Regional Office of Education #8's state and federal grant funds cover various periods. Budgetary comparisons for those periods are presented on page 68 for the ROE Operations Fund and pages 73-76 for the following grants: Title V - Innovative Programs Formula, Truants Alternative/Optional Ed., Early Childhood Block Grant - Prevention Initiative, Early Childhood Block Grant - Prekindergarten, Early Childhood Block Grant - Birth to Age 3, Regional Safe Schools, Learning Technology Center, Title IV - Safe and Drug Free Schools Formula, and Title II Teacher Quality.

To qualify for reimbursement, grant expenditures must be obligated by the end of the applicable budget period and liquidated within 90 days thereafter. To qualify for reimbursement, grant expenditures must also not exceed approved budgeted amounts for particular function (Improvement of Instruction Services, General Administration, Fiscal Services, etc.) and object (Salaries, Employee Benefits, Purchase Services, etc.) account code combinations by the greater of \$1,000 or 20% of the approved budgeted amount. Amendments to shift amounts from one function/object account code combination to another must be submitted to the ISBE for approval by 30 days prior to the end of the applicable budget period.

All grant expenditure amounts for which the Regional Office of Education #8 claimed reimbursement, and for which grant revenue is reported in these financial statements, were obligated and liquidated on a timely basis. All such expenditure amounts were within the function/object account classification limits of final approved amended budgets.

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006 is as follows:

	<u>Balance</u> <u>June 30,</u> <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2006</u>
Governmental activities:				
Furniture and equipment	\$ 161,190	\$ -	\$ -	\$ 161,190
Less accumulated depreciation	<u>(133,980)</u>	<u>(7,775)</u>	<u>-</u>	<u>(141,755)</u>
Total capital assets, net	<u>\$ 27,210</u>	<u>\$ (7,775)</u>	<u>-</u>	<u>\$ 19,435</u>

Depreciation expense was charged as follows:

Governmental activities:

 Education:

 Depreciation expense

\$ 7,775

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Fiduciary Fund:

Private-Purpose Trust Fund:

E.H. Parriott Scholarship Trust Principal Fund:

Farmland and land improvements	\$ 600,000	\$ -	\$ -	\$ 600,000
Farm building improvements	<u>281,192</u>	<u>-</u>	<u>-</u>	<u>281,192</u>
Total capital assets, at cost	881,192	-	-	881,192
Less accumulated depreciation	<u>(113,440)</u>	<u>(9,244)</u>	<u>-</u>	<u>(122,684)</u>
Total capital assets, net	<u>\$ 767,752</u>	<u>\$ (9,244)</u>	<u>\$ -</u>	<u>\$ 758,508</u>

Depreciation expense was charged as follows:

Fiduciary Fund:

Private-Purpose Trust Fund:

E.H. Parriott Scholarship Trust Principal Fund depreciation expense \$ 9,244

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2006 were:

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
Private-Purpose Trust Fund		
Expendable trust fund		
E.H. Parriott Scholarship Trust Income	\$ -	\$ 17,401
Nonexpendable trust fund		
E.H. Parriott Scholarship Trust Principal	<u>17,401</u>	<u>-</u>
	<u>\$ 17,401</u>	<u>\$ 17,401</u>

NOTE 8 - TRANSFERS

Fiscal year ended June 30, 2006, interfund transfers were:

<u>Fund</u>	<u>In</u>	<u>Out</u>
Private-Purpose Trust Funds		
E.H. Parriott Scholarship Trust Income	\$ 111,365	\$ -
E.H. Parriott Scholarship Trust Principal	<u>-</u>	<u>111,365</u>
	<u>\$ 111,365</u>	<u>\$ 111,365</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

NOTE 9 - DISPOSITION OF DISTRIBUTIVE FUND INTEREST

Interest earned on the investment of the Distributive Fund is remitted by the Regional Office of Education #8 to the Carroll, Jo Daviess, Stephenson Educational Intergovernmental Agreement.

NOTE 10 - LEASES

The E.H. Parriott Scholarship Trust is the lessor of several parcels of farm land and attached buildings under various separate lease arrangements ranging from month-to-month rentals on buildings to 3-year noncancellable leases on farm land. Rental income for the fiscal year ended June 30, 2006 was \$94,798 .

Minimum future rental income on the above noncancellable leases on farm land as of June 30, 2006 were:

<u>Year Ended June 30,</u>	
2007	\$ 46,558
2008	<u>46,158</u>
Total	<u>\$ 92,716</u>

NOTE 11 - DUE TO/FROM OTHER GOVERNMENTS

The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's General, Special Revenue, and Trust and Agency Funds have funds due to and due from various other governmental units which consist of the following:

Due From Other Governments	
General	
Special Services	
Other local entities - payroll	\$ 102,355
Education	
Workforce Investment Act	
Partners for Employment	<u>15,011</u>
Total	<u>\$ 117,366</u>

Due to Other Governments	
Agency Fund	
Distributive Interest Fund	
Other entities and local school districts - interest	\$ 6,488
Nonmajor Special Revenue	
Medical Reimbursement	
Other entities and local school districts	<u>851</u>
	<u>\$ 7,339</u>

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 12 - RISK MANAGEMENT

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 assumes liability for any deductibles and claims in excess of coverage limitations. There has been no significant reduction in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the year.

NOTE 13 - NEW PRONOUNCEMENTS

In 2006, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 adopted Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, GASB Statement No. 44, Economic Condition Reporting: The Statistical Section, an Amendment of NCGA Statement 1, GASB Statement No. 46, Net Assets Restricted by Enabling Legislation, an Amendment of GASB No. 34, and GASB No. 47, Accounting for Termination Benefits. The Regional Office of Education implemented these standards during the current year, however; they do not have a significant impact on the financial statements.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION
(Other than Management's Discussion and Analysis)

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF FUNDING PROGRESS -
ILLINOIS MUNICIPAL RETIREMENT FUND (Unaudited)
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	\$1,092,616	\$1,165,732	\$ 73,116	93.73%	\$ 991,586	7.37%
12/31/04	1,009,150	1,209,356	200,206	83.45%	882,499	22.69%
12/31/03	871,457	1,020,375	148,918	85.41%	759,429	19.61%
12/31/02	979,738	1,013,678	33,940	96.65%	699,730	4.85%
12/31/01	889,814	890,975	1,161	99.87%	660,453	0.18%
12/31/00	676,085	729,329	53,244	92.70%	581,588	9.15%
12/31/99	726,010	726,880	870	99.88%	470,774	0.18%
12/31/98	544,044	608,574	64,530	89.40%	407,533	15.83%
12/31/97	409,156	1,190,543	781,387	34.37%	400,972	194.87%
12/31/96	324,037	503,737	179,700	64.33%	281,234	63.90%

On a market value basis, the actuarial value of assets as of December 31, 2005 is \$1,105,519 .
On a market basis, the funded ratio would be 94.83 %.

***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.

SUPPLEMENTAL INFORMATION

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2006**

	Counties Support	ROE Operations	Special Services	Totals
ASSETS				
Cash and cash equivalents	\$ 65	\$ -	\$ 35,420	\$ 35,485
Due from other governments	-	-	102,355	102,355
	-	-	102,355	102,355
TOTAL ASSETS	\$ 65	\$ -	\$ 137,775	\$ 137,840
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accrued expenses	\$ -	\$ -	\$ 110,768	\$ 110,768
FUND BALANCE, UNRESERVED	65	-	27,007	27,072
TOTAL LIABILITIES AND FUND BALANCE, UNRESERVED	\$ 65	\$ -	\$ 137,775	\$ 137,840

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
Year Ended June 30, 2006**

	<u>Counties Support</u>	<u>ROE Operations</u>	<u>Special Services</u>	<u>Totals</u>
REVENUES				
Local sources				
Counties support	\$ 133,573	\$ -	\$ -	\$ 133,573
Interest	-	-	4,536	4,536
Service revenue	-	-	315,878	315,878
Total local sources	<u>133,573</u>	<u>-</u>	<u>320,414</u>	<u>453,987</u>
State sources	-	63,313	278,994	342,307
On-behalf payments	<u>194,597</u>	<u>-</u>	<u>-</u>	<u>194,597</u>
Total revenues	<u>328,170</u>	<u>63,313</u>	<u>599,408</u>	<u>990,891</u>
EXPENDITURES				
Current:				
Education:				
Salaries	86,492	44,383	203,667	334,542
Employee benefits	16,295	18,930	-	35,225
Purchased services	6,574	-	107,179	113,753
Supplies and materials	23,954	-	2,309	26,263
Capital outlay	-	-	5,074	5,074
Payments to other governments	436	-	265,430	265,866
On-behalf payments	<u>194,597</u>	<u>-</u>	<u>-</u>	<u>194,597</u>
Total expenditures	<u>328,348</u>	<u>63,313</u>	<u>583,659</u>	<u>975,320</u>
NET CHANGE IN FUND BALANCES	(178)	-	15,749	15,571
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR	<u>243</u>	<u>-</u>	<u>11,258</u>	<u>11,501</u>
FUND BALANCE, UNRESERVED, END OF YEAR	<u>\$ 65</u>	<u>\$ -</u>	<u>\$ 27,007</u>	<u>\$ 27,072</u>

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND ACCOUNTS
Year Ended June 30, 2006

SCHEDULE 3

	ROE Operations		Actual Amounts	Variance with Final Budget
	Budgeted Amounts			
	Original	Final		
REVENUES:				
State sources	\$ 63,313	\$ 63,313	\$ 63,313	\$ -
EXPENDITURES:				
Current:				
Education:				
Salaries	44,383	44,383	44,383	-
Employee benefits	18,930	18,930	18,930	-
Total expenditures	<u>\$ 63,313</u>	<u>\$ 63,313</u>	<u>63,313</u>	<u>\$ -</u>
EXCESS OF REVENUES OVER EXPENDITURES			-	
FUND BALANCE, BEGINNING OF YEAR			-	
FUND BALANCE, END OF YEAR			<u>\$ -</u>	

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND ACCOUNTS
June 30, 2006

SCHEDULE 4

	Title V - Innovative Programs Formula	Truants Alternative/ Optional Ed.	Early Childhood Preschool at Risk	Regional Safe Schools	Learning Technology Center	Title I - Reading First Part B SEA Funds
ASSETS						
Cash (overdrafts) and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-
Total assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCE						
LIABILITIES						
None	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCE						
Unreserved	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND ACCOUNTS
June 30, 2006

SCHEDULE 4
(CONTINUED)

	Title IV - Safe and Drug Free Schools Formula	Early Intervention Infants/ Toddlers	Title II Teacher Quality	System of Support	Standard Aligned Classroom	Workforce Investment Act	Totals
ASSETS							
Cash (overdrafts) and cash equivalents	\$ -	\$ 9,703	\$ -	\$ -	\$ -	\$ (15,011)	\$ (5,308)
Due from other governments	-	-	-	-	-	15,011	15,011
Total assets	<u>\$ -</u>	<u>\$ 9,703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,703</u>
LIABILITIES AND FUND BALANCE							
LIABILITIES							
None	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCE							
Unreserved	-	9,703	-	-	-	-	9,703
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ 9,703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,703</u>

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2006

	<u>Title V - Innovative Programs Formula</u>	<u>Truants Alternative/ Optional Ed.</u>	<u>Early Childhood Preschool at Risk</u>	<u>Regional Safe Schools</u>	<u>Learning Technology Center</u>	<u>Title I - Reading First Part B SEA Funds</u>
REVENUES						
Local sources						
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-	-	8,829
Total local sources	-	-	-	-	-	8,829
State sources	-	153,996	826,355	139,881	60,030	-
Federal sources	1,063	-	-	-	-	-
Total revenues	<u>1,063</u>	<u>153,996</u>	<u>826,355</u>	<u>139,881</u>	<u>60,030</u>	<u>8,829</u>
EXPENDITURES						
Current:						
Education:						
Salaries	-	97,746	66,268	17,230	2,890	-
Employee benefits	-	35,639	15,565	5,700	770	-
Purchased services	850	19,015	388,143	29,586	55,844	8,606
Supplies and materials	213	1,596	4,712	1,365	555	223
Payments to other governments	-	-	351,667	86,000	-	-
Total expenditures	<u>1,063</u>	<u>153,996</u>	<u>826,355</u>	<u>139,881</u>	<u>60,059</u>	<u>8,829</u>
NET CHANGE IN FUND BALANCES	-	-	-	-	(29)	-
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-	29	-
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2006

	<u>Title IV - Safe and Drug Free Schools Formula</u>	<u>Early Intervention Infants/ Toddlers</u>	<u>Title II Teacher Quality</u>	<u>System of Support</u>	<u>Standard Aligned Classroom</u>	<u>Workforce Investment Act</u>	<u>Totals</u>
REVENUES							
Local sources							
Interest	\$ -	\$ 797	\$ -	\$ -	\$ -	\$ -	\$ 797
Miscellaneous	-	54,743	-	-	-	-	63,572
Total local sources	-	55,540	-	-	-	-	64,369
State sources	-	328,980	-	-	-	-	1,509,242
Federal sources	12,701	222,412	295,124	55,215	7,165	38,303	631,983
Total revenues	12,701	606,932	295,124	55,215	7,165	38,303	2,205,594
EXPENDITURES							
Current:							
Education:							
Salaries	-	343,625	-	22,584	-	25,408	575,751
Employee benefits	-	106,023	-	4,254	-	5,575	173,526
Purchased services	12,701	133,017	3,000	20,133	7,165	5,015	683,075
Supplies and materials	-	14,426	-	8,244	-	360	31,694
Payments to other governments	-	2,435	292,124	-	-	1,945	734,171
Total expenditures	12,701	599,526	295,124	55,215	7,165	38,303	2,198,217
NET CHANGE IN FUND BALANCES	-	7,406	-	-	-	-	7,377
FUND BALANCE, BEGINNING OF YEAR	-	2,297	-	-	-	-	2,326
FUND BALANCE, END OF YEAR	\$ -	\$ 9,703	\$ -	\$ -	\$ -	\$ -	\$ 9,703

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2006**

	Title V - Innovative Programs Formula				Truants Alternative/ Optional Ed.				Early Childhood Block Grant - Prevention Initiative			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
REVENUES												
State sources	\$ -	\$ -	\$ -	\$ -	\$ 153,996	\$ 153,996	\$ 153,996	\$ -	\$ 483,037	\$ 483,037	\$ 483,037	\$ -
Federal sources	1,063	1,063	1,063	-	-	-	-	-	-	-	-	-
Total revenues	1,063	1,063	1,063	-	153,996	153,996	153,996	-	483,037	483,037	483,037	-
EXPENDITURES												
Current:												
Education:												
Salaries	-	-	-	-	97,680	97,680	97,746	(66)	66,919	66,919	66,268	651
Employee benefits	-	-	-	-	40,792	40,792	35,639	5,153	14,942	14,942	15,565	(623)
Purchased services	850	850	850	-	14,924	14,924	19,015	(4,091)	47,453	47,453	46,107	1,346
Supplies and materials	213	213	213	-	600	600	1,596	(996)	2,056	2,056	3,430	(1,374)
Payments to other governments	-	-	-	-	-	-	-	-	351,667	351,667	351,667	-
Total expenditures	1,063	1,063	1,063	-	153,996	153,996	153,996	-	483,037	483,037	483,037	-
NET CHANGE IN FUND BALANCES	\$ -	\$ -	-	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	-	\$ -
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR												
FUND BALANCE, UNRESERVED, END OF YEAR			<u>\$ -</u>				<u>\$ -</u>				<u>\$ -</u>	

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2006

	Early Childhood Block Grant - Prekindergarten				Early Childhood Block Grant - Birth to Age 3				Regional Safe Schools			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final			Original	Final			Original	Final		
REVENUES												
State sources	\$ 57,000	\$ 57,000	\$ 57,000	\$ -	\$ 286,318	\$ 286,318	\$ 286,318	\$ -	\$ 135,293	\$ 139,881	\$ 139,881	\$ -
Federal sources	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	57,000	57,000	57,000	-	286,318	286,318	286,318	-	135,293	139,881	139,881	-
EXPENDITURES												
Current:												
Education:												
Salaries	-	-	-	-	-	-	-	-	15,750	17,230	17,230	-
Employee benefits	-	-	-	-	-	-	-	-	5,000	5,700	5,700	-
Purchased services	55,500	55,500	55,718	(218)	286,318	286,318	286,318	-	28,983	29,751	29,586	165
Supplies and materials	1,500	1,500	1,282	218	-	-	-	-	1,200	1,200	1,365	(165)
Payments to other governments	-	-	-	-	-	-	-	-	84,360	86,000	86,000	-
Total expenditures	57,000	57,000	57,000	-	286,318	286,318	286,318	-	135,293	139,881	139,881	-
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR			<u>-</u>				<u>-</u>				<u>-</u>	
FUND BALANCE, UNRESERVED, END OF YEAR			<u>\$ -</u>				<u>\$ -</u>				<u>\$ -</u>	

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2006

	Learning Technology Center				Title IV - Safe and Drug Free Schools Formula			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final			Original	Final		
REVENUES								
State sources	\$ 60,030	\$ 60,030	\$ 60,030	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	12,701	12,701	12,701	-
Total revenues	60,030	60,030	60,030	-	12,701	12,701	12,701	-
EXPENDITURES								
Current:								
Education:								
Salaries	2,890	2,890	2,890	-	-	-	-	-
Employee benefits	770	770	770	-	-	-	-	-
Purchased services	55,870	55,870	55,844	26	12,701	12,701	12,701	-
Supplies and materials	500	500	555	(55)	-	-	-	-
Payments to other governments	-	-	-	-	-	-	-	-
Total expenditures	60,030	60,030	60,059	(29)	12,701	12,701	12,701	-
NET CHANGE IN FUND BALANCES	\$ -	\$ -	(29)	\$ (29)	\$ -	\$ -	-	\$ -
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR			29				-	
FUND BALANCE, UNRESERVED, END OF YEAR			\$ -				\$ -	

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2006

	Title II Teacher Quality				Total			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
REVENUES								
State sources	\$ -	\$ -	\$ -	\$ -	\$ 1,175,674	\$ 1,180,262	\$ 1,180,262	\$ -
Federal sources	295,124	295,124	295,124	-	308,888	308,888	308,888	-
Total revenues	295,124	295,124	295,124	-	1,484,562	1,489,150	1,489,150	-
EXPENDITURES								
Current:								
Education:								
Salaries	-	-	-	-	183,239	184,719	184,134	585
Employee benefits	-	-	-	-	61,504	62,204	57,674	4,530
Purchased services	5,726	5,726	3,000	2,726	508,325	509,093	509,139	(46)
Supplies and materials	-	-	-	-	6,069	6,069	8,441	(2,372)
Payments to other governments	289,398	289,398	292,124	(2,726)	725,425	727,065	729,791	(2,726)
Total expenditures	295,124	295,124	295,124	-	1,484,562	1,489,150	1,489,179	(29)
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(29)</u>	<u>\$ (29)</u>
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR							29	
FUND BALANCE, UNRESERVED, END OF YEAR			<u>\$ -</u>				<u>\$ -</u>	

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2006**

ASSETS	<u>General Educational Development</u>	<u>Bus Driver</u>	<u>Super- visory</u>	<u>Institute</u>	<u>Medical Reimbursement</u>	<u>Totals</u>
Cash and cash equivalents	\$ 833	\$ 771	\$ 2,751	\$ 43,393	\$ 1,540	\$ 49,288
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Due to other governments	\$ -	\$ -	\$ -	\$ -	\$ 851	\$ 851
FUND BALANCES						
Unreserved	<u>833</u>	<u>771</u>	<u>2,751</u>	<u>43,393</u>	<u>689</u>	<u>48,437</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 833</u>	<u>\$ 771</u>	<u>\$ 2,751</u>	<u>\$ 43,393</u>	<u>\$ 1,540</u>	<u>\$ 49,288</u>

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2006

	<u>General Educational Development</u>	<u>Bus Driver</u>	<u>Super- visory</u>	<u>Institute</u>	<u>Medical Reim- bursement</u>	<u>Totals</u>
REVENUES						
Local sources	\$ 8,349	\$ 2,568	\$ 178	\$ 29,011	\$ 23,653	\$ 63,759
State sources	-	720	3,000	-	-	3,720
Total revenues	<u>8,349</u>	<u>3,288</u>	<u>3,178</u>	<u>29,011</u>	<u>23,653</u>	<u>67,479</u>
EXPENDITURES						
Current:						
Education:						
Salaries	3,155	-	-	3,385	-	6,540
Employee benefits	216	-	-	661	-	877
Purchased services	3,012	1,613	697	26,033	23,651	55,006
Supplies and materials	2,226	2,294	111	2,575	-	7,206
Other objects	-	-	468	-	-	468
Total expenditures	<u>8,609</u>	<u>3,907</u>	<u>1,276</u>	<u>32,654</u>	<u>23,651</u>	<u>70,097</u>
NET CHANGE IN FUND BALANCES	(260)	(619)	1,902	(3,643)	2	(2,618)
FUND BALANCE, BEGINNING OF YEAR	<u>1,093</u>	<u>1,390</u>	<u>849</u>	<u>47,036</u>	<u>687</u>	<u>51,055</u>
FUND BALANCE, END OF YEAR	<u>\$ 833</u>	<u>\$ 771</u>	<u>\$ 2,751</u>	<u>\$ 43,393</u>	<u>\$ 689</u>	<u>\$ 48,437</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2006**

	E.H. Parriott Scholarship Trust Principal Fund	E.H. Parriott Scholarship Trust Income Fund	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 47,932	\$ 47,932
Investments	622,088	161,627	783,715
Rent receivable	14,122	-	14,122
Interest receivable	1,529	84	1,613
Due from other funds	-	17,401	17,401
Property and equipment, net	758,508	-	758,508
Total assets	<u>1,396,247</u>	<u>227,044</u>	<u>1,623,291</u>
LIABILITIES			
Accounts payable	-	4,992	4,992
Due to other funds	17,401	-	17,401
Deposits	2,600	-	2,600
Deferred revenue	7,804	-	7,804
Total liabilities	<u>27,805</u>	<u>4,992</u>	<u>32,797</u>
NET ASSETS			
Held in trust for other purposes	<u>\$ 1,368,442</u>	<u>\$ 222,052</u>	<u>\$ 1,590,494</u>

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
Year Ended June 30, 2006

	E.H. Parriott Scholarship Trust Principal Fund	E.H. Parriott Scholarship Trust Income Fund	Total
ADDITIONS:			
Local sources			
Rent	\$ 94,798	\$ -	\$ 94,798
Interest and dividends	26,897	7,460	34,357
Total additions	<u>121,695</u>	<u>7,460</u>	<u>129,155</u>
DEDUCTIONS:			
Purchased services	-	28,760	28,760
Scholarships	-	67,750	67,750
Depreciation	9,244	-	9,244
Total deductions	<u>9,244</u>	<u>96,510</u>	<u>105,754</u>
EXCESS (DEFICIENCY) OF ADDITIONS OVER (UNDER) DEDUCTIONS	<u>112,451</u>	<u>(89,050)</u>	<u>23,401</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	111,365	111,365
Transfers out	(111,365)	-	(111,365)
Total other financing sources (uses)	<u>(111,365)</u>	<u>111,365</u>	<u>-</u>
CHANGES IN NET ASSETS	1,086	22,315	23,401
NET ASSETS, BEGINNING OF YEAR	<u>1,367,356</u>	<u>199,737</u>	<u>1,567,093</u>
NET ASSETS, END OF YEAR	<u>\$ 1,368,442</u>	<u>\$ 222,052</u>	<u>\$ 1,590,494</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2006**

	<u>Distributive Fund</u>	<u>Distributive Interest Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 6,488</u>	<u>\$ 6,488</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other governmental units	<u>\$ -</u>	<u>\$ 6,488</u>	<u>\$ 6,488</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2006**

	Balance, July 1, 2005	Additions	Deductions	Balance, June 30, 2006
DISTRIBUTIVE FUND				
ASSETS				
Cash	\$ -	\$ 2,446,659	\$ 2,446,659	\$ -
LIABILITIES				
Due to other governmental units	\$ -	\$ 2,446,659	\$ 2,446,659	\$ -
 DISTRIBUTIVE INTEREST FUND				
ASSETS				
Cash	\$ 4,904	\$ 1,713	\$ 129	\$ 6,488
LIABILITIES				
Due to other governmental units	\$ 4,904	\$ 1,713	\$ 129	\$ 6,488
 TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 4,904	\$ 2,448,372	\$ 2,446,788	\$ 6,488
LIABILITIES				
Due to other governmental units	\$ 4,904	\$ 2,448,372	\$ 2,446,788	\$ 6,488

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
June 30, 2006**

Program	School District #314 West Carroll	Eagle Ridge Vocational Delivery System	ROE Programs and Services	Carroll-Jo Daviess-Stephenson ROE	Carroll County Highway Department	Totals
General State Aid	\$ -	\$ -	\$ 177,332	\$ 265,429	\$ -	\$ 442,761
Voc. Ed - Secondary Program Improve.	-	328,589	-	-	-	328,589
Voc. Ed - Agriculture Education	-	13,715	-	-	-	13,715
Land Lease/Flood Control	10,449	-	-	-	10,450	20,899
ROE School Bus Driver Training	-	-	-	720	-	720
Truants Alternative Optional Education	-	-	153,996	-	-	153,996
Regional Safe Schools	-	-	-	139,881	-	139,881
Early Childhood Block Grant	-	-	853,648	-	-	853,648
ROE/ISC Operations	-	-	-	63,313	-	63,313
Supervisory	-	-	-	3,000	-	3,000
Learning Technology Centers	-	-	-	60,030	-	60,030
Title V Formula	-	-	-	213	-	213
Title V- Innovative Programs Part B SEA Funds	-	-	-	850	-	850
Title VI Safe/Drug Free	-	-	-	12,701	-	12,701
Voc. Ed - Perkins Title IIC Secondary	-	57,219	-	-	-	57,219
Title II Teacher Quality	-	-	-	295,124	-	295,124
Totals	\$ 10,449	\$ 399,523	\$ 1,184,976	\$ 841,261	\$ 10,450	\$ 2,446,659

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006**

Federal Grantor/Pass- Through Grantor, Program or Cluster Title	<u>CFDA Number</u>	<u>Project Number (1st 8 digits) or Contract #</u>	<u>Federal Expenditures 7/1/05 - 6/30/06</u>
U.S. Dept. of Education passed through Illinois State Board of Education:			
Title IV - Safe and Drug Free Schools Formula	84.186A	06-4400-00	\$ 12,701
Title V - Innovative Programs-Formula	84.298A	06-4100-00	213
Title V- Innovative Programs-SEA Projects	84.298A	06-4105-01	<u>850</u>
Total Title V - Innovative Programs			1,063
Title II - Teacher Quality	84.367A	06-4932-00	<u>295,124</u>
Total passed through Illinois State Board of Education			308,888
U.S. Dept. of Education passed through Illinois Department of Human Services:			
(M) Early Intervention	84.181	611G6745000	222,412
U.S. Dept. of Education passed through Kishwaukee Intermediate Delivery System:			
System of Support	84.357	06-4935-SS	55,215
Standards Aligned Classroom	84.289A	06-4999-00	<u>7,165</u>
Total passed through Kishwaukee Delivery System			62,380
U.S. Dept. of Education passed through Partners for Employment:			
Workforce Investment Act	17.259	05-68104-01	<u>38,303</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 631,983</u></u>

The accompanying notes are an integral part of this schedule.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 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 preparation of these basic financial statements.

NOTE 2 - SUBRECIPIENTS

Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA#</u>	<u>Amount Provided To Subrecipients</u>
Title II - Teacher Quality	84.367A	\$ 292,124
Early Intervention Infants/Toddlers	84.181	2,435
Workforce Investment Act	17.259	1,945

NOTE 3 - DESCRIPTION OF MAJOR FEDERAL PROGRAM

The Early Intervention program is to account for grant monies received for and payment of, expenditures incurred in providing early intervention services.

NOTE 4 - NON-CASH ASSISTANCE

N/A

NOTE 5 - AMOUNT OF INSURANCE

N/A

NOTE 6 - LOANS OR LOAN GUARANTEES OUTSTANDING

N/A

This information is an integral part of the accompanying schedule.