

State of Illinois
DeKALB COUNTY
REGIONAL OFFICE OF EDUCATION NO. 16
FINANCIAL AUDIT
For the Year Ended June 30, 2006

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

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16

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DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16

OFFICIALS

Regional Superintendent
(current and during the audit period)

Mr. Gilbert E. Morrison, Jr.

Assistant Regional Superintendent
(current and during the audit period)

Ms. Tatia L. Beckwith

Office is located at:

245 W. Exchange St., Suite 2
Sycamore, Illinois 60178

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16

FINANCIAL REPORT SUMMARY

The financial 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 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	3	1
Repeated audit findings	1	0
Prior recommendations implemented or not repeated	0	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>
FINDINGS (GOVERNMENT AUDITING STANDARDS)		
06-1	9-11	Controls Over Compliance with Laws and Regulations
06-2	12-13	Inadequate Controls Over Cash
06-3	14-15	Inadequate Segregation of Duties

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

None

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference held orally on November 3, 2006. Attending were Mr. Gilbert E. Morrison, Jr., Regional Superintendent, Donna Milburn, bookkeeper, and Joe Hoerschelmann, auditor, from Clifton Gunderson LLP. Responses to the recommendations were provided by Mr. Gilbert E. Morrison, Jr., Regional Superintendent; and Donna Milburn, bookkeeper on November 18, 2005.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of DeKalb County Regional Office of Education No. 16 was performed by Clifton Gunderson LLP.

Based on their audit, the auditors expressed an unqualified opinion on DeKalb County Regional Office of Education No. 16'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, each major fund, and the aggregate remaining fund information of the DeKalb County Regional Office of Education No. 16, as of and for the year ended June 30, 2006, which collectively comprise the DeKalb County Regional Office of Education No. 16's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the DeKalb County Regional Office of Education No. 16's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the DeKalb County Regional Office of Education No. 16, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2006, on our consideration of the DeKalb County Regional Office of Education No. 16'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 on pages 21 through 31 is not a required part of the basic financial statements but is supplemental information required by the 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 DeKalb County Regional Office of Education No. 16's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Disbursements to Other Entities - Distributive Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Disbursements to Other Entities - Distributive Fund 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 Gunderson LLP

Clinton, Iowa
November 3, 2006

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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DeKalb County Regional Office of Education No. 16, as of and for the year ended June 30, 2006, which collectively comprise the DeKalb County Regional Office of Education No. 16's basic financial statements and have issued our report thereon dated November 3, 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 DeKalb County Regional Office of Education No. 16's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the DeKalb County Regional Office of Education No. 16's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06-2 and 06-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 06-2 and 06-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DeKalb County Regional Office of Education No. 16's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance which we reported in the accompanying Schedule of Findings and Questioned cost as items 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 Henderson LLP

Clinton, Iowa
November 3, 2006

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
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? X yes 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

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Section II: Findings Related to the Basic Financial Statements:

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

Criteria/Specific Requirements:

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

- B. The Illinois School Code 105 ILCS 5/3-5 states that the county superintendent shall present under oath or affirmation to the county board at its meeting in September and as nearly quarterly thereafter as it may have regular or special meetings, a report of all his acts as county superintendent, including a list of all the schools visited with the dates of visitation. (This mandate has existed in its current form since at least 1953.)

- C. The Illinois School Code 105 ILCS 5/3-14.5 requires the Regional Superintendent to visit each public school in the county at least once a year, noting the methods of instruction, the branches taught, the text-books used, and the discipline, government and general condition of the schools. (This mandate has existed in its current form since at least 1953.)

Conditions:

- A. The Regional Office of Education No. 16 is not examining all books, accounts, and vouchers of every school treasurer in his educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent has been examining school district financial statements and audit reports on an annual basis.

- B. The Regional Office of Education No. 16 did present at the September county board meeting but did not report as nearly quarterly thereafter, a report of all his acts including a list of all the schools visited and dates of visitation.

- C. The Regional Office of Education No. 16 performs compliance inspections for each public school in his region on a rotational basis every 3 years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Section II: Findings Related to the Basic Financial Statements:

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

Effect:

The Regional Office of Education No. 16 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 district's 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 presents a 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.

Auditor's Recommendations:

- A. The Regional Office of Education No. 16 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 his 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.
- B. The Regional Superintendent currently submits an annual report to the County Board. However, to comply with the statute, the Regional Superintendent will present the affirmed report on a quarterly basis.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Section II: Findings Related to the Basic Financial Statements:

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

- 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 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.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 06-2 - Inadequate Controls Over Cash

Criteria/Specific Requirement:

Sound internal controls over cash receipts require that receipts be adequately supported to identify the date, nature, and source of the receipt in order to monitor timeliness and accuracy of deposits as well as the accuracy of revenue recording. Receipts should be deposited intact and on a timely basis. These amounts should also be recorded in the general ledger to the appropriate revenue classification at the same time the funds are deposited.

Condition:

For the local-source funds received by the Regional Office, namely the Institute Fund, Bus Permit Fund, and the General Educational Development Fund, the Regional Office recorded the receipts in the daily cash receipts log. However, receipts totaling \$21,425 were neither posted to the general ledger nor deposited in the bank in a timely manner. Instead, cash receipts were kept in the office, unsecured, and in many cases, without the source documentation. The undeposited checks were as many as 15 months old.

Effect:

The untimely deposit of these receipts greatly increases the risk of loss and also delays the use of available funds. Also, because the source documents were many times separated from the cash, it is very likely that receipts would not be posted to the proper general ledger fund. Also, because of the untimely deposits, the cash balance reported at year end was understated, resulting in the need for an adjustment.

Cause:

According to Regional Office of Education No. 16 officials, this situation occurred due to the small number of staff within the office. The bookkeeper for the Regional Office is charged with many duties, such as fielding phone calls, serving walk-in customers, and performing fingerprinting duties. The workload increased during the year as a result of several factors and the bookkeeper was not able to perform all the required duties of her job.

Auditor's Recommendation:

The Regional Office of Education No. 16 should ensure that: 1) all receipts are accounted for properly in the cash receipts log; 2) all receipts are posted to the general ledger correctly in a timely manner; and 3) all receipts are deposited with the bank in a timely manner.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 06-2 - Inadequate Controls Over Cash (Continued)

Management's Response:

The Regional Office of Education No. 16 will purchase a new accounting software package that will enable the bookkeeper, the Regional Superintendent, and the Assistant Regional Superintendent to monitor and keep track of all transactions. Also, the Regional Office of Education No. 16 will hire two additional part-time staff to assist with the duties and relieve the workload on the existing bookkeeper. The Regional Superintendent and Assistant Regional Superintendent will monitor and review all receipts in the cash receipts log; and they will verify that all receipts are posted to the general ledger correctly and in a timely manner; and they will deposit all receipts with the bank on a weekly basis.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 06-3 - Inadequate Segregation of Duties

Criteria/Specific Requirement:

The Regional Office of Education (ROE) Accounting Manual requires each ROE to be responsible for establishing and maintaining a system of internal controls that provides reasonable assurance about the reliability of its GAAP financial statements, operational compliance with legal and contractual provisions, safeguarding of ROE assets, and the effectiveness and efficiency of ROE operations.

Condition:

The Regional Office of Education No. 16 does not have proper segregation of duties in the accounting function and is not adequately safeguarding all assets.

In the accounting function, the same person is responsible for opening the mail, recording receipts, accepting cash receipts, preparing deposit slips, reconciling deposit slips to the receipts log, preparing and recording cash disbursements, and reconciling bank statements. In addition, the bank reconciliation is not reviewed by an individual independent of the accounting function.

The Regional Office of Education No. 16 is not adequately safeguarding its assets by allowing the following:

- Large amounts of cash and checks were found within the office in unsecured locations.
- Cash receipts are not deposited in a timely manner. Holding these receipts for a long period of time exposes the Regional Office to additional risk of loss.
- Supporting documentation was not always proper for cash disbursements. There were many instances where the only authorization for an expenditure was a hand-written note from the Regional Superintendent, leaving the Regional Office exposed to the risk of unauthorized payments being made with Office funds.

Effect:

Failure to properly segregate accounting functions and safeguard assets results in a risk that any errors or fraud in the financial statements or theft of assets will not be detected.

Cause:

Due to the small number of employees within the Regional Office, it is nearly impossible to attain a proper segregation of duties.

Auditor's Recommendation:

Regional Office of Education No. 16 should implement the following practices to improve existing internal control without impairing efficiency:

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 06-3 - Inadequate Segregation of Duties (Continued)

- Mail should be opened by an employee not responsible for accounting, such as the Regional Superintendent or his assistant. The accounting staff person can receive cash and complete the cash receipts log as well as prepare deposits. However, the Regional Superintendent, or his assistant, should double check these deposits against the cash receipts log. The deposit can then be taken to the bank by the accounting staff person.
- Bank statements and cancelled checks should be received by someone other than the accounting staff maintaining cash records. Such items should be periodically reviewed by the Regional Superintendent or Assistant Regional Superintendent prior to them being reconciled. Unusual items noted during the review should be investigated promptly.
- Signed checks should also be mailed by an employee not responsible for accounts payable.
- Journal entries should be approved by an employee who is not responsible for preparing the entry.
- Supporting documentation should be submitted with checks for appropriate approval and signature.

Management's Response:

- Mail will be opened by an employee not responsible for accounting, such as the Regional Superintendent or his assistant, or other available staff. The accounting staff person will receive cash and complete the cash receipts log as well as prepare deposits. The Regional Superintendent, or his assistant, will double check these deposits against the cash receipts log to verify and will initial and date all paperwork. The deposit will be taken to the bank by the Regional Superintendent or his assistant on a timely basis.
- Bank statements and cancelled checks will be received by the Regional Superintendent or his assistant. Such items will be periodically reviewed by the Regional Superintendent or Assistant Regional Superintendent prior to them being reconciled and will initial and date them. Unusual items noted during the review will be investigated promptly.
- Signed checks will be mailed by an employee not responsible for accounts payable.
- Journal entries will be approved by the Regional Superintendent or his assistant.
- Supporting documentation will be submitted with checks for appropriate approval and signature by the Regional Superintendent or the Assistant Regional Superintendent.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
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. 05-1)

Conditions:

- A. The Regional Office of Education No. 16 is not examining all books, accounts, and vouchers of every school treasurer in his educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent has been examining school district financial statements and audit reports on an annual basis.
- B. The Regional Office of Education No. 16 did present at the September county board meeting but did not report as nearly quarterly thereafter, a report of all his acts including a list of all the schools visited and dates of visitation.
- C. The Regional Office of Education No. 16 performs compliance inspections for each public school in his region on a rotational basis every 3 years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.

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

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
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. 05-1) (Continued)

Anticipated Completion Date:

Immediately

Contact Person Responsible for Corrective Action:

Mr. Gilbert E. Morrison, Jr., Regional Superintendent

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
June 30, 2006

FINDING NO. 06-2 - Inadequate Controls Over Cash

Condition:

For the local-source funds received by the Regional Office, namely the Institute Fund, Bus Permit Fund, and the General Educational Development Fund, the Regional Office recorded the receipts in the daily cash receipts log. However, receipts totaling \$21,425 were neither posted to the general ledger nor deposited in the bank in a timely manner. Instead, cash receipts were kept in the office, unsecured, and in many cases, without the source documentation. The undeposited checks were as many as 15 months old.

Plan:

The Regional Office of Education No. 16 will purchase a new accounting software package that will enable the bookkeeper, the Regional Superintendent, and the Assistant Regional Superintendent to monitor and keep track of all transactions. Also, the Regional Office of Education No. 16 will hire two additional part-time staff to assist with the duties and relieve the workload on the existing bookkeeper. The Regional Superintendent and Assistant Regional Superintendent will monitor and review all receipts in the cash receipts log; and they will verify that all receipts are posted to the general ledger correctly and in a timely manner; and they will deposit all receipts with the bank on a weekly basis.

Anticipated Completion Date:

Immediately

Contact Person Responsible for Corrective Action:

Mr. Gilbert E. Morrison, Jr., Regional Superintendent

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
June 30, 2006

FINDING NO. 06-3 - Inadequate Segregation of Duties

Condition:

The Regional Office of Education No. 16 does not have proper segregation of duties in the accounting function and is not adequately safeguarding all assets.

In the accounting function, the same person is responsible for opening the mail, recording receipts, accepting cash receipts, preparing deposit slips, reconciling deposit slips to the receipts log, preparing and recording cash disbursements, and reconciling bank statements. In addition, the bank reconciliation is not reviewed by an individual independent of the accounting function.

The Regional Office of Education No. 16 is not adequately safeguarding its assets by allowing the following:

- Large amounts of cash and checks were found within the office in unsecured locations.
- Cash receipts are not deposited in a timely manner. Holding these receipts for a long period of time exposes the Regional Office to additional risk of loss.
- Supporting documentation was not always proper for cash disbursements. There were many instances where the only authorization for an expenditure was a hand-written note from the Regional Superintendent, leaving the Regional Office exposed to the risk of unauthorized payments being made with Office funds.

Plan:

- Mail will be opened by an employee not responsible for accounting, such as the Regional Superintendent or his assistant, or other available staff. The accounting staff person will receive cash and complete the cash receipts log as well as prepare deposits. The Regional Superintendent, or his assistant, will double check these deposits against the cash receipts log to verify and will initial and date all paperwork. The deposit will be taken to the bank by the Regional Superintendent or his assistant on a timely basis.
- Bank statements and cancelled checks will be received by the Regional Superintendent or his assistant. Such items will be periodically reviewed by the Regional Superintendent or Assistant Regional Superintendent prior to them being reconciled and will initial and date them. Unusual items noted during the review will be investigated promptly.
- Signed checks will be mailed by an employee not responsible for accounts payable.
- Journal entries will be approved by the Regional Superintendent or his assistant.
- Supporting documentation will be submitted with checks for appropriate approval and signature by the Regional Superintendent or the Assistant Regional Superintendent.

Anticipated Completion Date:

Immediately

Contact Person Responsible for Corrective Action:

Mr. Gilbert E. Morrison, Jr., Regional Superintendent

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2006

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
05-1	Controls Over Compliance with Laws and Regulations	Repeated

MANAGEMENT'S DISCUSSION AND ANALYSIS

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

DeKalb County Regional Office of Education No. 16 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 DeKalb County Regional Office of Education No. 16's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Institute Fund revenues decreased from \$274,326 in fiscal year 2005 to \$260,840 in fiscal year 2006, and Institute Fund expenditures decreased from \$275,826 in fiscal year 2005 to \$260,754 in fiscal year 2006. DeKalb County Regional Office of Education No. 16's Institute Fund balance increased from \$66,820 in fiscal year 2005 to \$66,906 in fiscal year 2006 for less than a 1% increase.
- The decrease in Institute Fund revenues was attributable to a decrease in the on-behalf payments received as local source revenue remained nearly the same.
- The General Education Development Fund revenues increased from \$5,077 in 2005 to \$5,473 in 2006. This increase is primarily due to more people registering for GED testing. Expenditures increased from \$4,412 in 2005 to \$4,584 in 2006. This increase is primarily due to more materials needed for GED testing.
- The Education Fund revenues increased from \$518,085 in 2005 to \$579,623 in 2006. Expenditures increased from \$518,085 in 2005 to \$579,515 in 2006. This increase is primarily due to an increase in funding for the Early Childhood Grant fund and the Regional Safe School Grant fund.

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 DeKalb County Regional Office of Education No. 16'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 DeKalb County Regional Office of Education No. 16 as a whole and present an overall view of DeKalb County Regional Office of Education No. 16's finances.

The Fund Financial Statements show how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report DeKalb County Regional Office of Education No. 16's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

Other Supplemental Information provides detailed information about the Education Fund grants in detail, and the nonmajor special revenue funds.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

Summarized below are the major features of DeKalb County Regional Office of Education No. 16's financial statements, including the portion of DeKalb County Regional Office of Education No. 16's activities they cover and the types of information they contain.

	Government-wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire DeKalb County Regional Office of Education No. 16	The activities of DeKalb County Regional Office of Education, such as Institute, General Educational Development, and Education	Instances in which Regional Office of Education No. 16 administers resources on behalf of someone else, such as the distributive fund
Required financial statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	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
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 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 additions and deductions during the year, regardless of when cash is received or paid

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

**REPORTING DEKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16'S
FINANCIAL ACTIVITIES**

Government-wide Financial Statements

The government-wide financial statements report information about DeKalb County Regional Office of Education No. 16 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of DeKalb County Regional Office of Education No. 16'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 DeKalb County Regional Office of Education No. 16's net assets and how they have changed. Net assets - the difference between DeKalb County Regional Office of Education No. 16's assets and liabilities - are one way to measure DeKalb County Regional Office of Education No. 16's financial health or financial position. Over time, increases or decreases in DeKalb County Regional Office of Education No. 16's net assets are an indicator of whether financial position is improving or deteriorating. To assess DeKalb County Regional Office of Education No. 16's overall health, additional non-financial factors, such as changes in DeKalb County Regional Office of Education No. 16's community and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, DeKalb County Regional Office of Education No. 16's activities are in one category:

- *Governmental activities:* All of DeKalb County Regional Office of Education No. 16's basic services are included here, such as grants and teacher certifications. Federal and state grants and local programs finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about DeKalb County Regional Office of Education No. 16's funds, focusing on its most significant or "major" funds - not DeKalb County Regional Office of Education No. 16 as a whole. Funds are accounting devices DeKalb County Regional Office of Education No. 16 uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law. DeKalb County Regional Office of Education No. 16 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.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

DeKalb County Regional Office of Education No. 16 has two kinds of funds:

1) *Governmental funds*: All of DeKalb County Regional Office of Education No. 16'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 DeKalb County Regional Office of Education No. 16's programs.

DeKalb County Regional Office of Education No. 16's governmental funds include Institute Fund, General Educational Development Fund, Bus Permit Fund, Supervisory Fund, and Education Fund.

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

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

2) *Fiduciary funds*: DeKalb County Regional Office of Education No. 16 is the trustee for assets that belong to others. These funds include Agency Funds. Agency Funds are funds through which DeKalb County Regional Office of Education No. 16 administers and accounts for certain federal and/or state grants on behalf of others.

DeKalb County Regional Office of Education No. 16 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. DeKalb County Regional Office of Education No. 16 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of DeKalb County Regional Office of Education No. 16, assets exceeded liabilities by \$90,181 as of June 30, 2006.

The Government-wide statements also include \$9,678 in liabilities consisting of accounts payable and deferred revenue.

DeKalb County Regional Office of Education No. 16's financial position is the product of several financial transactions including the net results of activities.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

The following table presents a summary of DeKalb County Regional Office of Education No. 16's net assets for the fiscal years ended June 30, 2006 and 2005.

	<u>Governmental Activities</u>
 <u>2006</u>	
Current assets	\$ 99,859
Current liabilities	<u>9,678</u>
Net assets	
Unrestricted	23,275
Restricted for teacher professional development	<u>66,906</u>
Total net assets	<u>\$ 90,181</u>
 <u>2005</u>	
Current assets	\$ 128,362
Current liabilities	<u>39,859</u>
Net assets	
Unrestricted	21,683
Restricted for teacher professional development	<u>66,820</u>
Total net assets	<u>\$ 88,503</u>

The largest portion of DeKalb County Regional Office of Education No. 16's net assets is restricted for teacher professional development. 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 was \$23,275 and \$21,683 at June 30, 2006 and 2005, respectively. In addition, net assets related to the Institute Fund are considered restricted for teacher professional development.

Changes in net assets. DeKalb County Regional Office of Education No. 16's total revenues for the fiscal years ended June 30, 2006 and 2005 were \$849,288 and \$800,829, respectively. The total cost of all programs and services for 2006 and 2005 was \$847,610 and \$800,873, respectively. The following tables present a summary of the changes in net assets for the fiscal years ended June 30, 2006 and 2005.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

	<u>Governmental Activities</u>
<u>2006</u>	
Revenues	
Program revenues	
Charges for services	\$ 39,789
Operating grants and contributions	581,440
General revenues	
Local sources	7,008
On-behalf payments	<u>221,051</u>
Total revenues	<u>849,288</u>
Expenses	
Education	
Purchased services	467,153
Supplies and materials	166
Payments to other governments	159,240
Administrative	
On-behalf payments	<u>221,051</u>
Total expenses	<u>847,610</u>
Change in net assets	1,678
Beginning net assets	<u>88,503</u>
Ending net assets	<u>\$ 90,181</u>

Operating grants and contributions account for 68% of the total revenue. DeKalb County Regional Office of Education No. 16's expenses primarily relate to education which accounts for 74% of the total expenses.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

	<u>Governmental Activities</u>
<u>2005</u>	
Revenues	
Program revenues	
Charges for services	\$ 37,270
Operating grants and contributions	520,043
General revenues	
Local sources	6,460
On-behalf payments	<u>237,056</u>
Total revenues	<u>800,829</u>
Expenses	
Education	
Purchased services	414,081
Supplies and materials	998
Payments to other governments	148,738
Administrative	
On-behalf payments	<u>237,056</u>
Total expenses	<u>800,873</u>
Change in net assets	(44)
Beginning net assets	<u>88,547</u>
Ending net assets	<u><u>\$ 88,503</u></u>

Operating grants and contributions account for 65% of the total revenue. DeKalb County Regional Office of Education No. 16's expenses primarily relate to education which accounts for 70% of the total expenses.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

Governmental Activities

Revenues for governmental activities were \$849,288 and \$800,829 and expenses were \$847,610 and \$800,873 for 2006 and 2005, respectively.

The following table presents the cost of DeKalb County Regional Office of Education No. 16's functional governmental activities. The table also shows 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 DeKalb County Regional Office of Education No. 16's community by each of these functions.

<u>2006</u>	<u>Total Expenses</u>	<u>Net (Expenses) Revenues</u>
Education		
Purchased services	\$ 467,153	\$ (5,164)
Supplies and materials	166	(166)
Payments to other governments	159,240	-
Administrative		
On-behalf payments	<u>221,051</u>	<u>(221,051)</u>
Total expenses	<u>\$ 847,610</u>	<u>\$ (226,381)</u>

- The cost of all governmental activities this year was \$847,610.
- Charges for services and operating grants and contributions subsidized certain governmental activities with grants and contributions and other local revenues of \$621,229.

Net cost of governmental activities (\$226,381), was financed by local sources and on-behalf payments that are not directly associated with the functions and objects above.

<u>2005</u>	<u>Total Expenses</u>	<u>Net (Expenses) Revenues</u>
Education		
Purchased services	\$ 414,081	\$ (5,506)
Supplies and materials	998	(998)
Payments to other governments	148,738	-
Administrative		
On-behalf payments	<u>237,056</u>	<u>(237,056)</u>
Total expenses	<u>\$ 800,873</u>	<u>\$ (243,560)</u>

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

- The cost of all governmental activities this year was \$800,873.
- Charges for services and operating grants and contributions subsidized certain governmental activities with grants and contributions and other local revenues of \$557,313.

Net cost of governmental activities (\$243,560), was financed by local sources and on-behalf payments that are not directly associated with the functions and objects above.

INDIVIDUAL FUND ANALYSIS

As previously noted, DeKalb County Regional Office of Education No. 16 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of DeKalb County Regional Office of Education No. 16 as a whole is reflected in its governmental funds, as well. As DeKalb County Regional Office of Education No. 16 completed the year, its governmental funds reported a combined fund balance of \$90,181, above last year's ending fund balance of \$88,503.

Governmental Fund Highlights

- The Institute Fund balance increased from \$66,820 in 2005 to \$66,906 in 2006, which is a very small increase in comparison to the level of revenues and expenditures.
- The GED Fund balance increased from \$18,350 to \$19,239, due to more people registering for GED testing.
- The Education Fund balance remained steady at \$108.

BUDGETARY HIGHLIGHTS

DeKalb County Regional Office of Education No. 16 is not required to create a budget for overall operations. They are required to prepare budgets for four grants including Early Childhood Grant, Regional Safe Schools Grant, Alternative Education, and Learn and Serve America.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

ECONOMIC FACTORS BEARING ON DEKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16'S FUTURE

At the time these financial statements were prepared and audited, DeKalb County Regional Office of Education No. 16 was aware of several existing circumstances that could significantly affect its financial health in the future:

Due to a law passed within the past year requiring all school employees to be fingerprinted, the Regional Office of Education acquired electronic fingerprinting equipment to service school districts in the region. The Regional Office is also available to other industries that require fingerprinting, such as hazmat drivers, loan organizations, nurses, etc. This new program will likely increase revenues and expenses in future years for the Regional Office of Education.

CONTACTING DEKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16'S FINANCIAL MANAGEMENT

This financial report is designed to provide DeKalb County Regional Office of Education No. 16's citizens, taxpayers, customers and creditors with a general overview of DeKalb County Regional Office of Education No. 16's finances and to demonstrate DeKalb County Regional Office of Education No. 16's accountability for the money it receives. If you have questions about this report or need additional financial information, contact DeKalb County Regional Office of Education No. 16, 245 W Exchange St., Suite 2, Sycamore, Illinois 60178.

BASIC FINANCIAL STATEMENTS

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash	\$ 90,708
Governmental grants receivable	9,096
Interest receivable	<u>55</u>
Total assets	<u>99,859</u>
LIABILITIES	
Accounts payable	4,800
Deferred revenue	<u>4,878</u>
Total liabilities	<u>9,678</u>
NET ASSETS	
Unrestricted	23,275
Restricted for teacher professional development	<u>66,906</u>
Total net assets	<u><u>\$ 90,181</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.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

EXHIBIT B

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets Primary Government Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
Education:				
Purchased services	\$ 467,153	\$ 39,789	\$ 422,200	\$ (5,164)
Supplies and materials	166	-	-	(166)
Payments to other governments	159,240	-	159,240	-
Administrative:				
On-behalf payments	221,051	-	-	(221,051)
Total primary government	\$ 847,610	\$ 39,789	\$ 581,440	(226,381)
General revenues:				
Local sources				7,008
On-behalf payments				221,051
Total general revenues				228,059
CHANGES IN NET ASSETS				1,678
NET ASSETS, BEGINNING OF YEAR				88,503
NET ASSETS, END OF YEAR				\$ 90,181

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.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

EXHIBIT C

	Institute Fund	General Educational Development Fund	Education Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash	\$ 66,851	\$ 19,239	\$ 690	\$ 3,928	\$ 90,708
Governmental grants receivable	-	-	9,096	-	9,096
Interest receivable	55	-	-	-	55
TOTAL ASSETS	\$ 66,906	\$ 19,239	\$ 9,786	\$ 3,928	\$ 99,859
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 4,800	\$ -	\$ 4,800
Deferred revenue	-	-	4,878	-	4,878
Total liabilities	-	-	9,678	-	9,678
FUND BALANCES					
Unreserved, reported in:					
Special revenue funds	66,906	19,239	108	3,928	90,181
TOTAL LIABILITIES AND FUND BALANCES	\$ 66,906	\$ 19,239	\$ 9,786	\$ 3,928	\$ 99,859

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.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total fund balances - governmental funds (page 35)	\$ 90,181
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
No changes	<u>-</u>
Net assets of governmental activities (page 33)	<u><u>\$ 90,181</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.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

EXHIBIT E

	<u>Institute Fund</u>	<u>General Educational Development Fund</u>	<u>Education Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources	\$ 39,789	\$ 5,473	\$ 143	\$ 1,392	\$ 46,797
State sources	-	-	569,475	1,960	571,435
Federal sources	-	-	10,005	-	10,005
On-behalf payments	221,051	-	-	-	221,051
Total revenues	<u>260,840</u>	<u>5,473</u>	<u>579,623</u>	<u>3,352</u>	<u>849,288</u>
EXPENDITURES					
Current:					
Education:					
Purchased services	39,703	4,584	420,109	2,757	467,153
Supplies and materials	-	-	166	-	166
Payments to other governments	-	-	159,240	-	159,240
On-behalf payments	221,051	-	-	-	221,051
Total expenditures	<u>260,754</u>	<u>4,584</u>	<u>579,515</u>	<u>2,757</u>	<u>847,610</u>
EXCESS OF REVENUES OVER EXPENDITURES	86	889	108	595	1,678
FUND BALANCE, BEGINNING OF YEAR	<u>66,820</u>	<u>18,350</u>	<u>-</u>	<u>3,333</u>	<u>88,503</u>
FUND BALANCE, END OF YEAR	<u>\$ 66,906</u>	<u>\$ 19,239</u>	<u>\$ 108</u>	<u>\$ 3,928</u>	<u>\$ 90,181</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.

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
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 37)	\$ 1,678
Amounts reported for governmental activities in the Statement of Activities are different because:	
No changes	-
Change in net assets of governmental activities (page 34)	\$ 1,678

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.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2006

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 18,246
LIABILITIES AND FUND BALANCE	
Due to future scholarships	\$ 2,063
Due to other governmental agencies	16,183
Total liabilities	\$ 18,246

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.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006

The DeKalb County Regional Office of Education No. 16 was created when an Educational Service Region became a Regional Office of Education on August 7, 1995. The DeKalb County Regional Office of Education No. 16 operates under the School Code (105 ILCS 5/3 and 5/3A). The Regional Office of Education encompasses DeKalb County, Illinois. A Regional Superintendent of Schools serves as Chief Administrative Officer of DeKalb County Regional Office of Education No. 16 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 DeKalb County Regional Office of Education No. 16 include, but are not limited to the following:

- Processing teachers' certificates
- Teaching initial and refresher classes for school bus drivers within DeKalb County Regional Office of Education No. 16
- 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 DeKalb County Regional Office of Education No. 16's accounting policies conform to generally accepted accounting principles which are appropriate to local governmental agencies of this type.

PRINCIPLES USED TO DETERMINE THE SCOPE OF THE REPORTING ENTITY

The DeKalb County Regional Office of Education No. 16's reporting entity includes all related organizations for which it exercises oversight responsibility.

The DeKalb County Regional Office of Education No. 16 has developed criteria to determine whether outside agencies with activities which benefit the citizens of DeKalb County Regional Office of Education No. 16, including joint agreements which serve pupils from numerous school districts, should be included within its financial reporting entity. The criteria include but are not limited to, whether DeKalb County Regional Office of Education No. 16 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The Regional Superintendent has determined that no outside agency meets the above criteria and, therefore, no agency has been included as a component unit in the Regional Superintendent's financial statements. In addition, the Regional Superintendent is not aware of any entity which would exercise such oversight which would result in the Regional Superintendent being considered a component unit of the entity.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006

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 DeKalb County Regional Office of Education No. 16. 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 DeKalb County Regional Office of Education No. 16's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

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 preceding category. 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.

Fund Financial Statements - Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental 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.

DeKalb County Regional Office of Education No. 16 reports the following major governmental funds:

Institute - to account for the stewardship of the assets held in trust for the benefit of the teachers. Fees are collected from registration of teachers' certificates of qualification. Monies are expended to conduct teachers' institutes, conferences, and workshops. All funds generated remain restricted until expended only on the aforementioned activities.

General Educational Development - to account for the administration of the general educational development testing program. Revenues are received from testing and diploma fees.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006

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

Early Childhood Grant - 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 Grant - used to account for a grant that provides additional staff and materials for the alternative schools in the region.

General State Aid - used to account for monies received for, and payment of, expenses for general operations of alternative schools in the region.

Alternative Education - used to account for a grant that provides for funding for the alternative schools within the region.

Learn and Serve America - used to account for grant monies received for, and expenditures incurred associated with the Learn and Serve America program.

DeKalb County Regional Office of Education No. 16 reports the following nonmajor governmental funds:

Bus Permit - to account for the stewardship of the assets held in trust in connection with the Bus Driver Training Program.

Supervisory - to account for monies from the State of Illinois for expenditures incurred providing supervisory services in the County.

Fiduciary Funds

Agency Funds - The Agency Funds are used to account for assets held by DeKalb County Regional Office of Education No. 16 as an agency for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Distributive - State and federal funds are distributed by the Illinois State Board of Education. DeKalb County Regional Office of Education No. 16 is responsible for forwarding these monies to local school districts and others in DeKalb County.

Scholarship - the source of this account is a bequest. Funds are to be used for scholarships.

Board of Trustees - the source of this account is from the petitions of citizens wishing to change school districts.

Outreach Workers - the source of this fund is a local school district in DeKalb County. Funds are collected from the local school districts then paid to DeKalb County to help fund a Truancy Outreach Worker in DeKalb County.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
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 DeKalb County Regional Office of Education No. 16.

DeKalb County Regional Office of Education No. 16 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, DeKalb County Regional Office of Education No. 16 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 DeKalb County Regional Office of Education No. 16's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

DeKalb County Regional Office of Education No. 16 maintains its financial records on the cash basis. The financial statements of DeKalb County Regional Office of Education No. 16 are prepared by making memorandum adjusting entries to the cash basis financial records.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006

ASSETS, LIABILITIES AND FUND EQUITY

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

Cash - The cash balances of DeKalb County Regional Office of Education No. 16 are valued at cost.

Governmental grants receivable - Governmental grants receivable represents amounts due from the Illinois State Board of Education.

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.

CAPITAL ASSETS

Capital assets were acquired using the governmental resources of DeKalb County; therefore, the existing balance of capital assets will not be presented.

BUDGETS AND BUDGETARY ACCOUNTING

DeKalb County Regional Office of Education No. 16 does not adopt a formal budget for all revenues and expenditures of the governmental funds, nor are they legally required to do so. The Early Childhood Grant, Regional Safe Schools Grant, Alternative Education, and Learn and Serve America are administered by DeKalb County Regional Office of Education No. 16 and are subject to budget approval by the State of Illinois.

SALARIES AND EXPENSES

The Regional Superintendent and Assistant Superintendent's salaries are paid by the State of Illinois; all other employees are paid by the County of DeKalb. All certified personnel participate in the Teachers' Retirement System of the State of Illinois and others participate in the Illinois Municipal Retirement Fund with the contributions being paid by the County of DeKalb. Information about these retirement plans can be found in the basic financial statements of DeKalb County.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006

INTERGOVERNMENTAL AGREEMENT

On August 7, 1992, DeKalb County Regional Office of Education No. 16 entered into an Intergovernmental Agreement executed pursuant to the provisions of the Intergovernmental Cooperation Clause of the Illinois Constitution as well as the provisions of the Intergovernmental Cooperation Act of 1973 and the Illinois Admin. Code 525.110. The name of the Educational Service delivery system formed is known as the Kishwaukee Intermediate Delivery System, (KIDS). Membership in KIDS is made up of the following Regional Offices of Education: Boone-Winnebago, DeKalb, and McHenry. The Boone-Winnebago ROE was designated as Administrative Agent.

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

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - DEPOSITS AND INVESTMENTS

The deposit and investment of monies is governed by the provisions of the Illinois Compiled Statutes. At June 30, 2006, the carrying amount of the deposits was \$108,954 and the bank balance was \$110,354.

Deposits

Custodial credit risk - Custodial credit risk is the risk that in the event of a bank failure, DeKalb County Regional Office of Education No. 16's deposits may not be returned. DeKalb County Regional Office of Education No. 16 does not have a deposit policy for custodial credit risk. As of June 30, 2006, all of DeKalb County Regional Office of Education No. 16's deposits were covered by either FDIC insurance or collateral held by the bank in the name of DeKalb County Regional Office of Education No. 16.

Investments

DeKalb County Regional Office of Education No. 16 does not have a formal investment policy, as its only investments are internally pooled in the Illinois Money Market Fund. As of June 30, 2006, DeKalb County Regional Office of Education No. 16 had investments with carrying and fair values of \$6,694 invested in the Illinois Funds Money Market Fund.

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

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

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

NOTE 2 - PENSIONS

All employees are paid by DeKalb County or the State of Illinois; therefore, no provision or funding for pension costs is required.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3 - DISPOSITION OF DISTRIBUTIVE FUND INTEREST

Revenues are partially derived from interest on deposits of the various funds under the jurisdiction of DeKalb County Regional Office of Education No. 16. A substantial portion of these interest earnings have been earned on monies which are passed through from the Illinois State Board of Education to the various school districts within the County of DeKalb.

Illinois Compiled Statutes require that interest earned by a public agency on investments of funds held for, but owned by, another public agency shall be credited to the public agency for which the investment is made; i.e. the owner of the funds.

Per an intergovernmental agreement between DeKalb County Regional Office of Education No. 16 and the school districts, 80% of distributive fund interest earned is remitted to the school districts and 20% is retained by DeKalb County Regional Office of Education No. 16.

NOTE 4 - ON-BEHALF PAYMENTS

Salaries of the Regional Superintendent and his first assistant are paid by the State of Illinois. All other salaries are paid by DeKalb County. Pension plan contributions associated with these salaries are also paid, respectively, by the State of Illinois and DeKalb County.

A breakdown of the on-behalf payments for the Regional Superintendent, his first assistant, and the County employees are as follows:

Regional Superintendent - salary	\$ 84,737
Regional Superintendent - benefits (includes state paid insurance)	12,270
Assistant Regional Superintendent - salary	72,263
Assistant Regional Superintendent - benefits (includes state paid insurance)	<u>19,387</u>
Total State of Illinois on-behalf payments	<u>188,657</u>
County employees - salaries	26,174
County employees - benefits	<u>6,220</u>
Total DeKalb County on-behalf payments	<u>32,394</u>
Total on-behalf payments	<u>\$ 221,051</u>

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education. Salary and benefit data for the County employees was calculated based on data provided by the DeKalb County Regional Office of Education No. 16.

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 - DUE TO/FROM OTHER GOVERNMENTAL AGENCIES

The DeKalb County Regional Office of Education No. 16's Agency Fund has funds due to various other governmental units which consist of the following:

Due to Other Governmental Agencies

Other local education agencies	\$ <u>16,183</u>
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Due From Other Governmental Agencies

Illinois State Board of Education	\$ <u>9,096</u>
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NOTE 6 - RISK MANAGEMENT

DeKalb County Regional Office of Education No. 16 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. DeKalb County Regional Office of Education No. 16 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 7 - NEW PRONOUNCEMENT

In 2006, DeKalb County Regional Office of Education No. 16 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 Statement No. 34, and GASB Statement 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.

OTHER SUPPLEMENTAL INFORMATION

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2006

	<u>Early Childhood Grant</u>	<u>Regional Safe Schools Grant</u>	<u>General State Aid</u>	<u>Alternative Education</u>	<u>Learn and Serve America</u>	<u>Total</u>
ASSETS						
Cash (overdraft)	\$ (4,218)	\$ -	\$ 4,800	\$ 108	\$ -	\$ 690
Governmental grants receivable	<u>9,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,096</u>
TOTAL ASSETS	<u><u>\$ 4,878</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,800</u></u>	<u><u>\$ 108</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,786</u></u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 4,800	\$ -	\$ -	\$ 4,800
Deferred revenue	4,878	-	-	-	-	4,878
Total liabilities	<u>4,878</u>	<u>-</u>	<u>4,800</u>	<u>-</u>	<u>-</u>	<u>9,678</u>
FUND BALANCE						
Fund balance, unreserved	<u>-</u>	<u>-</u>	<u>-</u>	<u>108</u>	<u>-</u>	<u>108</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 4,878</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,800</u></u>	<u><u>\$ 108</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,786</u></u>

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 Year Ended June 30, 2006**

SCHEDULE 2

	<u>Early Childhood Grant</u>	<u>Regional Safe Schools Grant</u>	<u>General State Aid</u>	<u>Alternative Education</u>	<u>Learn and Serve America</u>	<u>Total</u>
REVENUES						
Local sources	\$ 15	\$ -	\$ 20	\$ 108	\$ -	\$ 143
State sources	94,603	159,240	195,819	119,813	-	569,475
Federal sources	-	-	-	-	10,005	10,005
Total revenues	<u>94,618</u>	<u>159,240</u>	<u>195,839</u>	<u>119,921</u>	<u>10,005</u>	<u>579,623</u>
EXPENDITURES						
Current:						
Education:						
Purchased services	94,618	-	195,839	119,813	9,839	420,109
Supplies and materials	-	-	-	-	166	166
Payments to other governments	-	159,240	-	-	-	159,240
Total expenditures	<u>94,618</u>	<u>159,240</u>	<u>195,839</u>	<u>119,813</u>	<u>10,005</u>	<u>579,515</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	108	-	108
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, UNRESERVED, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108</u>	<u>\$ -</u>	<u>\$ 108</u>

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 Year Ended June 30, 2006

	Early Childhood Grant				Regional Safe Schools Grant				Alternative Education			
	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												
Local sources	\$ -	\$ -	\$ 15	\$ 15	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108	\$ 108
State sources	91,935	91,935	94,603	2,668	159,240	159,240	159,240	-	119,813	119,813	119,813	-
Federal sources	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>91,935</u>	<u>91,935</u>	<u>94,618</u>	<u>2,683</u>	<u>159,240</u>	<u>159,240</u>	<u>159,240</u>	<u>-</u>	<u>119,813</u>	<u>119,813</u>	<u>119,921</u>	<u>108</u>
EXPENDITURES												
Current:												
Education:												
Purchased services	91,935	91,935	94,618	(2,683)	-	-	-	-	117,713	117,713	119,813	(2,100)
Supplies and materials	-	-	-	-	-	-	-	-	2,100	2,100	-	2,100
Payments to other governments	-	-	-	-	159,240	159,240	159,240	-	-	-	-	-
Total expenditures	<u>91,935</u>	<u>91,935</u>	<u>94,618</u>	<u>(2,683)</u>	<u>159,240</u>	<u>159,240</u>	<u>159,240</u>	<u>-</u>	<u>119,813</u>	<u>119,813</u>	<u>119,813</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>108</u>	<u>\$ 108</u>
FUND BALANCE, BEGINNING OF YEAR			<u>-</u>				<u>-</u>				<u>-</u>	
FUND BALANCE, END OF YEAR			<u>\$ -</u>				<u>\$ -</u>				<u>\$ 108</u>	

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2006

	Learn and Serve America				Total			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final			Original	Final		
REVENUES								
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 123	\$ 123	
State sources	-	-	-	-	370,988	370,988	373,656	2,668
Federal sources	10,005	10,005	10,005	-	10,005	10,005	10,005	-
Total revenues	10,005	10,005	10,005	-	380,993	380,993	383,784	2,791
EXPENDITURES								
Current:								
Education:								
Purchased services	9,505	9,505	9,839	(334)	219,153	219,153	224,270	(5,117)
Supplies and materials	500	500	166	334	2,600	2,600	166	2,434
Payments to other governments	-	-	-	-	159,240	159,240	159,240	-
Total expenditures	10,005	10,005	10,005	-	380,993	380,993	383,676	(2,683)
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>108</u>	<u>\$ 108</u>
FUND BALANCE, BEGINNING OF YEAR			<u>-</u>				<u>-</u>	
FUND BALANCE, END OF YEAR			<u>\$ -</u>				<u>\$ 108</u>	

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2006**

	<u>Bus Permit</u>	<u>Supervisory</u>	<u>Total</u>
ASSETS			
Cash	<u>\$ 2,786</u>	<u>\$ 1,142</u>	<u>\$ 3,928</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
None	\$ -	\$ -	\$ -
FUND BALANCES			
Unreserved	<u>2,786</u>	<u>1,142</u>	<u>3,928</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,786</u>	<u>\$ 1,142</u>	<u>\$ 3,928</u>

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended June 30, 2006**

	<u>Bus Permit</u>	<u>Supervisory</u>	<u>Total</u>
REVENUES			
Local sources	\$ 1,386	\$ 6	\$ 1,392
State sources	960	1,000	1,960
Total revenues	<u>2,346</u>	<u>1,006</u>	<u>3,352</u>
EXPENDITURES			
Current:			
Education:			
Purchased services	<u>1,316</u>	<u>1,441</u>	<u>2,757</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,030	(435)	595
FUND BALANCE, BEGINNING OF YEAR	<u>1,756</u>	<u>1,577</u>	<u>3,333</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 2,786</u></u>	<u><u>\$ 1,142</u></u>	<u><u>\$ 3,928</u></u>

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2006

	<u>Distributive</u>	<u>Scholarship</u>	<u>Board of Trustees</u>	<u>Outreach Workers</u>	<u>Total</u>
ASSETS					
Cash	\$ 12,768	\$ 2,063	\$ 136	\$ 3,279	\$ 18,246
LIABILITIES					
Due to future scholarships	\$ -	\$ 2,063	\$ -	\$ -	\$ 2,063
Due to other governmental agencies	12,768	-	136	3,279	16,183
TOTAL LIABILITIES	\$ 12,768	\$ 2,063	\$ 136	\$ 3,279	\$ 18,246

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
COMBINING STATEMENT OF CHANGES - ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2006**

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
<u>Distributive</u>				
ASSETS				
Cash	\$ 43,476	\$ 523,680	\$ 554,388	\$ 12,768
LIABILITIES				
Due to other governmental agencies	\$ 43,476	\$ 523,680	\$ 554,388	\$ 12,768
 <u>Scholarship</u>				
ASSETS				
Cash	\$ 2,057	\$ 6	\$ -	\$ 2,063
LIABILITIES				
Due to future scholarships	\$ 2,057	\$ 6	\$ -	\$ 2,063
 <u>Board of Trustees</u>				
ASSETS				
Cash	\$ 136	\$ -	\$ -	\$ 136
LIABILITIES				
Due to other governmental agencies	\$ 136	\$ -	\$ -	\$ 136

**DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
COMBINING STATEMENT OF CHANGES - ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2006**

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
<u>Outreach Workers</u>				
ASSETS				
Cash	\$ 10,645	\$ 28	\$ 7,394	\$ 3,279
LIABILITIES				
Due to other governmental agencies	\$ 10,645	\$ 28	\$ 7,394	\$ 3,279
 <u>Totals</u>				
ASSETS				
Cash	\$ 56,314	\$ 523,714	\$ 561,782	\$ 18,246
LIABILITIES				
Due to future scholarships	\$ 2,057	\$ 6	\$ -	\$ 2,063
Due to other governmental agencies	54,257	523,708	561,782	16,183
TOTAL LIABILITIES	<u>\$ 56,314</u>	<u>\$ 523,714</u>	<u>\$ 561,782</u>	<u>\$ 18,246</u>

DeKALB COUNTY REGIONAL OFFICE OF EDUCATION NO. 16
SCHEDULE OF DISBURSEMENTS TO OTHER ENTITIES - DISTRIBUTIVE FUND
June 30, 2006

	K.E.C.
Career and Technical Ed Improvement	\$ 424,698
Agriculture Education	16,650
V.E. Perkins Title IIC - Secondary	113,040
TOTAL	\$ 554,388