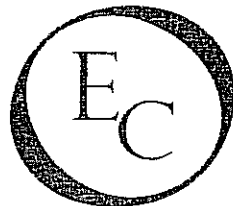


**STATE OF ILLINOIS
DUPAGE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 19**

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

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



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

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19

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**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
OFFICIALS**

Regional Superintendent
(current and during the audit period)

Dr. Darlene Ruscitti

Assistant Regional Superintendent
(current and during the audit period)

Dr. Thomas Bookler

Office is located at:

421 North County Farm Road
Wheaton, Illinois 60187

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
COMPLIANCE REPORT SUMMARY**

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	1	3
Repeated audit findings	1	1
Prior recommendations implemented or not repeated	2	2

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Prior Finding Code</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
06-1	12	Controls Over Compliance with Laws and Regulations	05-1
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)			
None			
PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)			
05-2	19	Bank Reconciliations not Completed Properly and Timely	
PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)			
05-3	19	Improper Accounting of Program Revenues and Expenses	

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
JUNE 30, 2006**

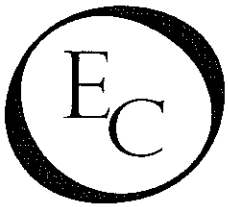
EXIT CONFERENCE

The DuPage County Regional Office of Education No. 19 opted not to have an exit conference during the financial audit for the year ended June 30, 2006. Responses to the recommendations were provided by Dr. Darlene Ruscitti in a letter dated February 1, 2007.

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
FINANCIAL STATEMENT REPORT SUMMARY**

The audit of the accompanying basic financial statements of the DuPage County Regional Office of Education No. 19 was performed by E. C. Ortiz & Co., LLP.

Based on their audit, the auditors expressed an unqualified opinion on the DuPage County Regional Office of Education No. 19's basic financial statements.



INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the DuPage County Regional Office of Education No. 19, as of and for the year ended June 30, 2006, which collectively comprise the DuPage County Regional Office of Education No. 19's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the DuPage County Regional Office of Education No. 19's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the DuPage County Regional Office of Education No. 19, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 18, 2006 on our consideration of the DuPage County Regional Office of Education No. 19'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

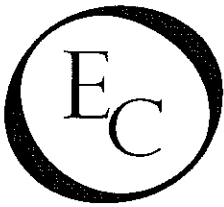
integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 20 through 26 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the DuPage County Regional Office of Education No. 19's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the DuPage County Regional Office of Education No. 19. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

E. C. Certitz & Co. LLP

Chicago, Illinois
October 18, 2006



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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the DuPage County Regional Office of Education No. 19, as of and for the year ended June 30, 2006, which collectively comprise the DuPage County Regional Office of Education No. 19's basic financial statements and have issued our report thereon dated October 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered DuPage County Regional Office of Education No. 19's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, caused by error or fraud, in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

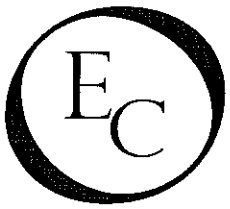
As part of obtaining reasonable assurance about whether the DuPage County Regional Office of Education No. 19's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant

agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance which we reported on the accompanying Schedule of Findings and Questioned Costs as item 06-1.

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

E. C. Gertig & Co. LLP

Chicago, Illinois
October 18, 2006



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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of the DuPage County Regional Office of Education No. 19 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 DuPage County Regional Office of Education No. 19'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 DuPage County Regional Office of Education No. 19's management. Our responsibility is to express an opinion on the DuPage County Regional Office of Education No. 19'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 DuPage County Regional Office of Education No. 19's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the DuPage County Regional Office of Education No. 19's compliance with those requirements.

In our opinion, the DuPage County Regional Office of Education No. 19 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the DuPage County Regional Office of Education No. 19 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the DuPage County Regional Office of Education No. 19'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 the 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 operations that we consider to be material weaknesses.

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

E.C. Ortiz & Co. LLP

Chicago, Illinois
October 18, 2006

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Part I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.215S	Partnership in Character Education
84.196A	McKinney Education for Homeless
84.010A	Title I - School Improvement & Accountability
84.367A	Title II - Teacher Quality Leadership Grant

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

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

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Part II: Findings Related to the Financial Statements

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

Criteria/Specific Requirements:

- A. The Illinois School Code 105 ILCS 5/3-14.11 states that the Regional Superintendent shall examine at least once each year all books, accounts, and vouchers of every school treasurer in 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 No. 19 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 on an annual basis.

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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

Conditions (Continued):

- B. The Regional Office of Education No. 19 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. The Regional Superintendent submitted to the county board her annual report and presented the report to the county board on December 13, 2005. The annual report included statistics on major areas of activities of the ROE, including the inspections of school buildings within its region. Details of the dates of visits and other statistics are provided to the board upon request.

- C. The Regional Office of Education No. 19 performs compliance inspections for each public school in her region on a rotational basis every five years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.

Effect:

The Regional Office of Education No. 19 did not comply with statutory requirements.

Causes:

- A. The Regional Office of Education No. 19 management stated that the procedures currently being performed are deemed sufficient to comply with this mandate and that this mandate is outdated.

- B. According to the Regional Superintendent, the ROE submits the annual report to the county every year. The annual report is believed to have all the pertinent information about the ROE's operations, and details of any visits and dates of visitation are available upon request. The presentation to the county board is done once a year and not necessarily in September and quarterly. The ability of the Regional Superintendent to appear multiple times to the board during the fiscal year is limited by the volume of business transacted by the county board. Requests for additional appearances have been ignored by the county board.

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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

Causes (Continued):

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

Recommendations:

- A. The Regional Office of Education No. 19 should comply with the requirements of 105 ILCS 5/3-14.11.
- B. The Regional Superintendent should attend the county board meeting in September and quarterly thereafter as it may have regular or special meetings, and present a report of all her acts as county superintendent, including a list of all the schools visited with the dates of visitation as required by 105 ILCS 5/3-5.
- C. The Regional Superintendent should visit each public school annually to review all items noted in the statute as 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 of Schools will meet with the Chairman of the DuPage County board and review with him the mandated responsibility placed upon the Superintendent by the Illinois School Code 105 ILCS 5/3-5 regarding in particular the requirements of the law. It is hoped that through this discussion and additional discussions regarding the format of presenting quarterly reports which will document and affirm the acts of the Superintendent by quarter, the Superintendent will have met the requirements of the mandate.

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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

Management's Responses (Continued):

- C. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 1.20 of the 23rd Illinois Administrative Code is a more current, thorough, and comprehensive requirement concerning visitation of public schools by the Regional Superintendent. As a result, the two parties working together will seek legislation to repeal section 5/3-14.5 of the Illinois School Code.

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Part III: Federal Award Findings

INSTANCES OF NONCOMPLIANCE:

None

REPORTABLE CONDITIONS:

None

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
JUNE 30, 2006**

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

Conditions:

- A. The Regional Office of Education No. 19 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 on an annual basis.
- B. The Regional Office of Education No. 19 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. The Regional Superintendent submitted to the county board his annual report and presented the report to the county board on December 13, 2005. The annual report included statistics on major areas of activities of the ROE, including the inspections of school buildings within its region. Details of the dates of visits and other statistics are provided to the board upon request.
- C. The Regional Office of Education No. 19 performs compliance inspections for each public school in her region on a rotational basis every five 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 DuPage County Regional Superintendent of Schools will work closely with the Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. All parties are in agreement 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.

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
JUNE 30, 2006**

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

Plans (Continued):

- B. The DuPage County Regional Superintendent of Schools will meet with the Chairman of the DuPage County board to review with him the mandated responsibility placed upon the Superintendent by the Illinois School Code 105 ILCS 5/3-5 regarding in particular the requirements of the law regarding the format of presenting quarterly reports which will document and affirm the acts of the Superintendent by quarter to the county board. The plan would be to present in person the annual report of the Office and to establish the process to have distributed to the members of the board quarterly reports which would include the information as noted in the mandate.

- C. The DuPage County Regional Superintendent of Schools will work closely with the Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. All parties are in agreement 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.

Anticipated Dates of Completion:

- A. It is anticipated that this legislation will have gone through the legislative process by the close of the 95th General Assembly on May 31, 2007 and would be law on July 1, 2007.

- B. It is anticipated that this plan will be completed by June 30, 2007 so that it can be in place for the FY 2008.

- C. It is anticipated that this legislation will have gone through the legislative process by the close of the 95th General Assembly on May 31, 2007 and would be law on July 1, 2007.

Name of Contact Person:

Dr. Darlene Ruscitti, DuPage Regional Superintendent of Schools

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
05-1	Controls Over Compliance with Laws and Regulations	Repeated
05-2	Bank Reconciliations not Completed Properly and Timely	Resolved
05-3	Improper Accounting of Program Revenues and Expenses	Resolved

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

The Regional Office of Education No. 19 for DuPage County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2006 with comparative information for the year ended June 30, 2005. Readers are encouraged to consider the information in conjunction with the Regional Office's financial statements that follow.

Overall Analysis

DuPage County is the second most populated county in Illinois with an estimated figure of 1 million people. Some of the demographic characteristics of the county's population are: Median age: 33, Median family income: \$62,820, Per capita income: \$31,315, Unemployment rate: 2.7%, White persons: 85%, Persons of Hispanic or Latino origin: 11%, High school graduates: 90%. Bachelor's degree or higher: 41.7%. This information has been updated with information from the United States Census Bureau website.

The Regional Office of Education is an intermediate service agency between the Illinois State Board of Education and local school districts and the Office of the Regional Superintendent of Schools performs regulatory functions as directed by the Illinois School Code. In addition to coordinating and delivering state and local services, the Regional Superintendent acts as an advocate for education by providing positive leadership and disseminating information for educators, school districts and the public. Specific duties of the Regional Superintendent are stated in the School Code and can be summarized in two major areas: service and assurance to the public.

DuPage County has 42 school districts consisting of 29 elementary districts, 7 high school districts, and 6 unit districts. These 42 districts have 244 buildings consisting of 165 elementary sites, 53 junior high/middle school sites, and 26 high school sites. The fall enrollment of public school students was 162,170. During FY 2005 these districts had operating budgets in excess of \$1,665,768,708 with almost 86% coming from local sources, 11% from state sources, and 3% from the federal government. These 162,170 students were taught by 10,542 teachers; supported by 1,716 additional staff such as counselors, social workers, and learning specialists; under the guidance of 529 administrators.

The financial operations of the Regional Office continued to perform well during financial times which saw the level of state and local funding maintain itself. The Regional Office funding is reflective of state and federal grants, local funding (the DuPage County Board), registration fees of teaching certificates, workshops fees from improvement of instruction programs for teachers and administrative academy's for administrators, and training fees for school bus drivers.

In summary, the Regional Office's financial position remains stable and consistent.

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

2006 Financial Highlights

- Within the Governmental Funds, the General Fund revenues decreased by \$24,956 (5%) from \$545,417 in FY 2005 to \$520,461 in FY 2006. General Fund expenditures decreased by \$24,846 (5%) from \$545,307 in FY 2005 to \$520,461 in FY 2006.
- Within the Governmental Funds, the Special Revenue Fund revenues decreased by \$7,117 (less than 1%) from \$4,057,446 in FY 2005 to \$4,050,329 in FY 2006. The Special Revenue Fund expenditures decreased by \$79,724 (2%) from \$4,014,580 in FY 2005 to \$3,934,856 in FY 2006.
- The Enterprise Fund revenues increased by \$291,546 (50%) from \$581,745 in FY 2005 to \$873,291 in FY 2006. The Enterprise Fund expenditures decreased by \$8,886 (1%) from \$715,594 in FY 2005 to \$706,708 in FY 2006.
- The ROE No. 19 has no long term debt.

Using This Report

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

- *Management's Discussion and Analysis* introduces financial statements and provides an analytical overview of the Regional Office's financial activities.
- The *Government-wide financial statements* consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Regional Office of Education as a whole and present an overall view of the Office's finances.
- *Fund financial statements* report the Regional Office's operations in more detail than the government-wide statements by providing information about the most significant funds.
- *Notes to the financial statements* provide additional information that is needed for a full understanding of the data provided in the basic financial statements.
- *Required supplementary information* further explains and supports the financial statements and supplementary information provides detailed information about the major and non-major funds.

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

Overview of the Financial Statements

Government-wide Financial Statements

The Government-wide statements report information about the Regional Office of Education No. 19 as a whole. The Statement of Net Assets includes all of the assets and liabilities, with the difference reported as *net assets*. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid using Generally Accepted Accounting Principles and GASB 34.

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

- Over time, increases or decreases in the net assets can be an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Regional Office's overall financial condition, additional non-financial factors, such as new laws, rules, regulations, and actions by officials at the state level need to be considered.

Fund Financial Statements

The fund financial statements provide detailed information about the Regional Office's funds. Funds are accounting devices that allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by state law. The Regional Office of Education No. 19 established other funds to control and manage money for particular purposes.

The Office has three kinds of funds:

- (1) Governmental funds account for those funds through which most governmental functions of the Region are financed. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at the year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Office's programs. The governmental funds required financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.
- (2) Proprietary funds account for resources from fees charged directly to those entities or individuals that use its services. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by government-wide

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

financial statements but with more detail for major and non-major enterprise funds. The proprietary funds required financial statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets and Statement of Cash Flows.

- (3) Fiduciary funds are used to account for assets held by the Regional Office of Education No. 19 in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds required financial statements include a Statement of Fiduciary Net Assets.

Government-Wide Financial Analysis

As noted earlier, net assets may serve when examined over time as one indicator of the financial position of the Regional Office. The net assets at the end of FY 2006 and FY 2005 totaled \$2,784,421 and \$2,543,429, respectively. The analysis that follows provides a summary of the Office's net assets as of June 30.

CONDENSED STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
ASSETS						
Current assets	\$ 1,626,430	\$ 1,793,032	\$ 982,485	\$ 736,570	\$ 2,608,915	\$ 2,529,602
Capital assets, net of depreciation	335,589	376,653	8,247	10,262	343,836	386,915
TOTAL ASSETS	<u>1,962,019</u>	<u>2,169,685</u>	<u>990,732</u>	<u>746,832</u>	<u>2,952,751</u>	<u>2,916,517</u>
Current liabilities	142,416	373,088	25,914	-	168,330	373,088
TOTAL LIABILITIES	<u>142,416</u>	<u>373,088</u>	<u>25,914</u>	<u>-</u>	<u>168,330</u>	<u>373,088</u>
NET ASSETS						
Invested in capital assets, net of related debt	335,589	376,653	8,247	10,262	343,836	386,915
Restricted	1,244,449	1,296,054	-	-	1,244,449	1,296,054
Unrestricted	239,565	123,890	956,571	736,570	1,196,136	860,460
TOTAL NET ASSETS	<u>\$ 1,819,603</u>	<u>\$ 1,796,597</u>	<u>\$964,818</u>	<u>\$ 746,832</u>	<u>\$ 2,784,421</u>	<u>\$ 2,543,429</u>

The ROE No. 19's net assets increased by \$240,992 (9%) from FY 2005. The increase occurred primarily in the Enterprise Funds due to excess of revenues over expenses for workshops conducted by the ROE. In addition, net assets related to the Teacher Institute Fund are considered restricted for teacher professional development.

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

CHANGES IN NET ASSETS

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program revenues:						
Charges for services	\$ 351,150	\$ 437,489	\$ 844,459	\$ 559,035	\$ 1,195,609	\$ 996,524
Operating grants and contributions	3,695,046	3,487,244	—	—	3,695,046	3,487,244
General revenues:						
State sources	258,148	268,372	—	—	258,148	268,372
Interest income	4,133	62,418	28,832	22,710	32,965	85,128
On-behalf payments	262,313	276,935	—	—	262,313	276,935
Total revenues	4,570,790	4,532,458	873,291	581,745	5,444,081	5,114,203
Expenses:						
Salaries	1,702,553	1,843,182	6,135	—	1,708,688	1,843,182
Benefits	373,320	343,654	6,665	—	379,985	343,654
Purchased services	1,355,789	1,247,067	638,754	637,958	1,994,543	1,885,025
Supplies and materials	170,500	170,184	26,507	51,057	197,007	221,241
Capital outlay	24,612	72,290	5,322	10,531	29,934	82,821
Depreciation	102,960	74,830	2,015	2,015	104,975	76,845
Payments to other governmental units	504,334	409,360	—	—	504,334	409,360
Miscellaneous	—	—	21,310	14,033	21,310	14,033
On-behalf payments	262,313	276,935	—	—	262,313	276,935
Total expenses	4,496,381	4,437,502	706,708	715,594	5,203,089	5,153,096
Income (loss) before operating transfers	74,409	94,956	166,583	(133,849)	240,992	(38,893)
Operating transfers	(51,403)	(101,813)	51,403	101,813	—	—
Change in net assets	23,006	(6,857)	217,986	(32,036)	240,992	(38,893)
Net assets, beginning	1,796,597	1,803,454	746,832	778,868	2,543,429	2,582,322
Net assets, ending	<u>\$ 1,819,603</u>	<u>\$ 1,796,597</u>	<u>\$ 964,818</u>	<u>\$ 746,832</u>	<u>\$ 2,784,421</u>	<u>\$ 2,543,429</u>

Governmental Activities

Revenues for governmental activities were \$4,570,790 and expenses were \$4,496,381. Some grants increased while others decreased or were not funded in FY 2006. The Regional Safe Schools and General State Aid increased by \$335,181 due to the increase in the state funding level per student. McKinney Education for Homeless grant increased by \$55,127 due to the increase in the number of students in the program. System of Support (RESPRO) increased by \$196,055 due to having more schools on the academic watch list and the need to provide services to these schools. Title I - Reading First Part B SEA Funds grants was closed out

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

contributing to the decrease in revenue by \$181,670. Mathematics and Science Partnerships grant has been severely cut in funding, thus revenues decreased by \$224,886. Expenses were proportionally increased or decreased to meet the funding level. The Regional Office of Education No. 19 is able to place funds in reserve for the upcoming fiscal year and remains in a fiscally healthy position.

Business-Type Activities

Revenues for business-type activities were \$873,291 and expenditures were \$706,708. The net increase in revenues and expenditures is attributed to increase in workshops as well as the increase in background investigations conducted in FY 2006.

Financial Analysis of the Regional Office of Education No. 19 Funds

As previously noted, the Regional Office of Education No. 19 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Office's Governmental Funds reported combined fund balances of \$1,484,014.

Governmental Fund Highlights

- The State of Illinois granted the Regional Office of Education an operation grant of \$609,914 for FY 2002. The grant for FY 2006 was \$258,148 which represents only 42% of the largest amount granted to the Regional Office. This reduction forces the Regional Office to supplement current operational costs by reducing fund balances to maintain their programs.
- The dollar return on investments (certificate of deposit, short-term investments and interest earned on a float), continued to be reduced because of the low interest rates. In order to provide services budgeted for the Direct Service Budget, certain investments had to be used.
- County support for the Regional Office of Education No. 19 remained at level funding.
- There was an increase in the state aid foundation level to \$5,334 per student from \$5,164.

Proprietary Fund Highlights

Total proprietary fund net assets increased by \$217,986 (29%). The net increase in the proprietary funds revenues and expenses is due to increase in workshop activities.

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

Budgetary Highlights

The Regional Office of Education No. 19 annually adopts budgets for several funds. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the County Board for their approval. The Office Operations Budget covers a fiscal year which runs from December 1 to November 30. All grant budgets are prepared by the Regional Office of Education No. 19 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency.

Capital Assets

Regional Office of Education No. 19's capital assets include office equipment, computers, audio-visual equipment, and office furniture. The Regional Office of Education No. 19 maintains an inventory of capital assets which have been accumulated over time. For FY 2006, total additions amounted to \$61,896 and total retirements amounted to \$0. Depreciation expense for FY 2006 was \$104,975.

Economic Factors and Next Years' Budget

At the time these financial statements were prepared and audited, the Regional Office was aware of several existing circumstances that could affect its financial health in the future:

- The state aid foundation level has increased to \$5,334 per student.
- The interest rate on investments remains low and will impact interest earned.
- Most grants have remained near or at previous levels.
- County Board support for Regional Office of Education No. 19 remains the same for FY 2006.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the Regional Offices' citizens, taxpayers, clients, and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the Regional Office of Education No. 19 at 421 North County Farm Road, Wheaton IL 60187.

BASIC FINANCIAL STATEMENTS

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 STATEMENT OF NET ASSETS
 JUNE 30, 2006

EXHIBIT A

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 1,228,389	\$ 1,191,371	\$ 2,419,760
Due from (to) other funds	234,945	(234,945)	-
Due from other governmental units	163,096	26,059	189,155
Total current assets	1,626,430	982,485	2,608,915
Noncurrent assets			
Capital assets, net	335,589	8,247	343,836
TOTAL ASSETS	1,962,019	990,732	2,952,751
LIABILITIES			
Accounts payable	105,009	25,914	130,923
Due to other governmental units	36,825	-	36,825
Deferred revenues	582	-	582
TOTAL LIABILITIES	142,416	25,914	168,330
NET ASSETS			
Invested in capital assets, net of related debt	335,589	8,247	343,836
Restricted	1,244,449	-	1,244,449
Unrestricted	239,565	956,571	1,196,136
TOTAL NET ASSETS	\$ 1,819,603	\$ 964,818	\$ 2,784,421

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

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 JUNE 30, 2006

EXHIBIT C

ASSETS	General	Institute Fund	Education Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
Cash and investments	\$ 13,006	\$ 932,299	\$ 104,934	\$ 178,150	\$ 1,228,389
Due from other funds	-	312,165	15	-	312,180
Due from other governmental units	-	-	163,096	-	163,096
Total assets	13,006	1,244,464	268,045	178,150	1,703,665
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	-	-	105,009	-	105,009
Due to other funds	-	15	77,220	-	77,235
Due to other governmental units	857	-	35,968	-	36,825
Deferred revenues	-	-	582	-	582
Total liabilities	857	15	218,779	-	219,651
FUND BALANCES					
Restricted	-	1,244,449	-	-	1,244,449
Unrestricted	12,149	-	49,266	178,150	239,565
Total fund balances	12,149	1,244,449	49,266	178,150	1,484,014
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,006	\$ 1,244,464	\$ 268,045	\$ 178,150	\$ 1,703,665

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

EXHIBIT D

Total fund balances - governmental funds	\$ 1,484,014
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>335,589</u>
Net assets of governmental activities	<u>\$ 1,819,603</u>

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

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
GOVERNMENTAL FUNDS

EXHIBIT E

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

	General	Institute Fund	Education Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
REVENUES					
Federal sources	\$ -	\$ -	\$ 784,805	\$ -	\$ 784,805
State sources	258,148	-	2,900,241	10,000	3,168,389
Local sources	-	-	-	-	-
Licenses and permits	-	220,209	-	10,135	230,344
Miscellaneous	-	67,028	49,887	3,891	120,806
Interest	-	4,133	-	-	4,133
On-behalf payments	262,313	-	-	-	262,313
Total revenues	520,461	291,370	3,734,933	24,026	4,570,790
EXPENDITURES					
Current:					
Instructional services:					
Salaries	178,148	-	1,524,405	-	1,702,553
Benefits	42,000	4,976	326,344	-	373,320
Purchased services	36,000	231,557	1,071,801	16,431	1,355,789
Supplies and materials	2,000	6,222	162,260	18	170,500
Capital expenditures	-	48,638	37,870	-	86,508
Payments to governmental units	-	-	498,334	6,000	504,334
On-behalf payments	262,313	-	-	-	262,313
Total expenditures	520,461	291,393	3,621,014	22,449	4,455,317
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(23)	113,919	1,577	115,473
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	-	(51,582)	179	-	(51,403)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	-	(51,605)	114,098	1,577	64,070
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	12,149	1,296,054	(64,832)	176,573	1,419,944
FUND BALANCES, END OF YEAR	\$ 12,149	\$ 1,244,449	\$ 49,266	\$ 178,150	\$ 1,484,014

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

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2006**

EXHIBIT F

Net change in fund balances		\$	64,070
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		61,896	
Depreciation expense		<u>(102,960)</u>	<u>(41,064)</u>
Change in net assets of governmental activities		\$	<u>23,006</u>

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

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2006

EXHIBIT G

	<u>Business Type Activities - Enterprise Funds</u>
ASSETS	
Current assets	
Cash	\$ 1,191,371
Due from other funds	77,220
Due from other governmental units	26,059
Total current assets	<u>1,294,650</u>
Noncurrent assets	
Capital assets, net	<u>8,247</u>
Total assets	<u>1,302,897</u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	25,914
Due to other funds	<u>312,165</u>
Total liabilities	<u>338,079</u>
 NET ASSETS	
Invested in capital assets, net of related debt	8,247
Unrestricted	<u>956,571</u>
Total net assets	<u>\$ 964,818</u>

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

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2006**

EXHIBIT H

	<u>Business Type Activities - Enterprise Funds</u>
OPERATING REVENUES	
Charges for services	\$ 844,459
OPERATING EXPENSES	
Salaries	6,135
Benefits	6,665
Purchased services	638,754
Supplies and materials	26,507
Capital expenditures	5,322
Miscellaneous	21,310
Depreciation	2,015
Total expenses	<u>706,708</u>
OPERATING INCOME	137,751
NONOPERATING REVENUES	
Interest	<u>28,832</u>
INCOME BEFORE OPERATING TRANSFER	166,583
OPERATING TRANSFER	
Transfer in	<u>51,403</u>
CHANGE IN NET ASSETS	217,986
NET ASSETS, BEGINNING OF YEAR	<u>746,832</u>
NET ASSETS, END OF YEAR	<u>\$ 964,818</u>

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

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2006**

EXHIBIT I

	<u>Business Type Activities - Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts for workshops and services	\$ 837,822
Payments to suppliers	(645,270)
Payments to employees	(12,800)
Net cash provided by operating activities	<u>179,752</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITY:	
Transfers from other funds	<u>51,403</u>
Net cash provided by non capital financing activity	<u>51,403</u>
CASH FLOWS FROM INVESTING ACTIVITY:	
Interest	<u>28,832</u>
Net cash provided by investing activity	<u>28,832</u>
NET INCREASE IN CASH	259,987
CASH, BEGINNING OF YEAR	<u>931,384</u>
CASH, END OF YEAR	<u>\$ 1,191,371</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 137,751
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,015
Effects of changes in assets and liabilities:	
Due from (to) other funds	20,709
Due from other governmental units	(6,637)
Accounts payable	<u>25,914</u>
Net cash provided by operating activities	<u>\$ 179,752</u>

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

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

EXHIBIT J

ASSETS

Cash (overdraft)	\$	(701)
Due from other governmental units		<u>28,641</u>
Total assets		<u><u>27,940</u></u>

LIABILITIES

Distributives payable		3,264
Due to other governmental units		<u>24,676</u>
Total liabilities	\$	<u><u>27,940</u></u>

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

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The DuPage County Regional Office of Education No. 19 is an entity that is a result of an Educational Service Region becoming a Regional Office of Education as of August 7, 1995. The DuPage County Regional Office of Education No. 19 operates under the School Code (105 ILCS 5/3 and 5/3A). DuPage County Regional Office of Education No. 19 encompasses DuPage County, 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 accounting policies conform to generally accepted accounting principles which are appropriate to local government units of this type.

A. Reporting Entity

For financial reporting purposes, DuPage County Regional Office of Education No. 19 includes all funds, agencies, boards, commissions, and authorities that are controlled by or dependent on the Superintendent with the exception of the Audio Visual Institute of DuPage County (AVID) which is required to be audited and presented in a separate financial statement.

The Regional Superintendent of schools is the chief administrative officer of the region and is elected to the position for a four year term by popular vote. The Regional Superintendent is responsible for the supervision and oversight control of school districts in DuPage County. The superintendent's responsibilities for administering the school educational service region programs include, but are not limited to, providing directions to teachers and school officials on science, art and teaching methods; implementing the State Board of Education's Policy Programs; encouraging camaraderie among teachers' institute; making public notice of unfilled teaching positions within the region; and ensuring of the safety, health and welfare of the students in the region by periodically inspecting the school buildings and ensuring that the bus drivers have valid driving licenses and are properly trained to operate the school buses.

The DuPage County Regional Office of Education No. 19 has developed criteria to determine whether outside agencies with activities which benefit the citizens of DuPage County Regional Office of Education No. 19, including school districts which serve pupils in the Region, should be included within its financial reporting entity. The criteria include but are not limited to, whether DuPage County Regional Office of Education No. 19 exercises oversight responsibility, (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability of fiscal matters), scope of public service, and special financing relationships.

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

The school districts have been determined not to be part of the reporting entity after applying the manifestation of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the DuPage County Regional Office of Education No. 19 does not control the assets, operations or management of the school districts.

In addition, DuPage County Regional Office of Education No. 19 is not aware of any entity which would exercise such oversight as to result in it being considered a component unit of that entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between those activities of the ROE that are governmental in nature and those that are considered business-type activities. *Governmental activities* normally are supported by operating grants and contributions, charges for services and intergovernmental revenues. *Business-type activities* normally are supported by amounts assessed or received from local sources for the ROE programs.

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

C. New Accounting Pronouncements

Effective July 1, 2005, the DuPage County Regional Office of Education No. 19 adopted the following accounting pronouncements:

- GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which establishes standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

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

There was no significant impact on the DuPage County Regional Office of Education No. 19's financial statements as a result of adopting the above statements.

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

The financial statements of DuPage County Regional Office of Education No. 19 are prepared in accordance with generally accepted accounting principles (GAAP). The DuPage County Regional Office of Education No. 19 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.

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

Governmental and fiduciary fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The DuPage County Regional Office of Education No. 19 considers revenues as available if they are collected within 60 days after year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. In

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applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

The revenues susceptible to accrual are fees, interest income and intergovernmental revenue. All other governmental fund type revenues are recognized when received.

DuPage County Regional Office of Education No. 19 records on-behalf payments made by the State to the Teachers' Retirement System as revenues and expenditures.

E. Fund Accounting

The accounts of the DuPage County Regional Office of Education No. 19 are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. The DuPage County Regional Office of Education No. 19 maintains individual funds as required by the State of Illinois. The resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following summarizes the fund types used:

Governmental Fund Types

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

General Fund - The general fund is used to account for all the financial resources except those required to be accounted for in another fund. The general fund is reported as a major governmental fund in the financial statements. The following are included in the general fund:

General - Used to account for the general operating fund. It has been used to record transactions in connection with general administration activities.

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

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

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Education No. 19 reported the following special revenue funds as major governmental funds:

Institute - Used to account for fees collected for the registration and renewal of teaching certificates. These fees are used to defray administrative expenses incidental to teachers' institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers or for the purpose of defraying the expense of any general or special meeting of teachers or school personnel, which has been approved by DuPage County Regional Office of Education No. 19. All funds generated remain restricted until expended only on the aforementioned activities.

Education - Used to account for grants from the following sources:

Internal Review - Used to account for monies received for, and payment of, facilitation of the Internal Review of the Quality Review Process with local school districts.

Scientific Literacy - Used to account for grant monies received for, and payment of, expenditures for improving teacher knowledge and skills in mathematics and science.

Title II - Professional Development - Used to account for grant monies received for, and payment of, expenditures incurred in providing workshops.

Vocational Instruction Practicum - Used to account for grant monies received for, and payment of, placing vocational teachers and counselors in worksites during the summer to expand their business experience.

Career Awareness and Development - Used to account for the administration of monies to be used for Career Awareness and Development Fund by the Illinois State Board of Education.

Early Childhood Parenting Program - Used to account for grant monies received for, and payment of, expenses for developing and operating programs for parents of young children.

Truants' Alternative Program - Used to account for grant monies received for, and payment of, expenditures of providing support services and evaluating compliance with recommendations to DuPage County truants and their parents.

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McKinney Education for Homeless - Used to account for grant monies received for, and payment of, expenditures associated with a Federal program designed to provide counseling and educational support to homeless children and their families. The programs are funded by a Federal Stewart B. McKinney Education for Homeless Children and Youth Grant administered through the Illinois State Board of Education.

Regional Safe Schools and General State Aid - Used to account for grant monies received for, and payment of, expenditures of the Regional Safe Schools program and for the administration of monies from the General State Aid.

Certificate Renewal Administration - To account for grant monies received for, and payment of, expenses related to certificate renewal.

Learning Standards - Accounts for monies received for, and payments of expenditures of the Learning Standards Program.

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

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

Department of Commerce and Economic Opportunity (DCEO) Grant - Accounts for monies received for, and payment of expenditures of the DCEO Grant Fund.

Mathematics and Science Partnerships - Accounts for monies received for, and payment of expenditures for Illinois Math and Science Programs.

Workforce Investment Act - Accounts for monies received for, and payment of expenditures for Workforce Investment Act programs.

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Partnership in Character Education - Accounts for monies received for, and payment of expenditures for Partnership for Character Education programs.

Truants Minors in Need of Supervision (TMINS) - Previously known as Juvenile Detention Alternative Initiative program which accounts for monies received for, and payment of expenditures for one of the Alternative Learning Opportunities Programs (ALOP) that provides alternative learning environment and includes individualized instruction, small class and counseling sessions.

Standards Aligned Classroom - Accounts for grant monies received for, and payment of, expenditures incurred for the Standards Aligned Classroom program.

System of Support (RESPRO) - to account for grant monies received for, and payment of, expenditures incurred for the Title I - School Improvement & Accountability and Title II - Teacher Quality Leadership Grants to help schools meet No Child Left Behind initiative.

Statewide Reading Leadership - Accounts for monies received for, and payment of, expenditures for Reading Improvement Block programs.

Career & Technical Education Improvement - Accounts for monies received for, and payment of, expenditures for Career & Technical Education (CTE) programs that improve CTE student achievement as well as promote the expansion of career development for all students.

Juvenile Accountability Incentive Block - Used to account for federal grant monies received for, and payment of, expenditures incurred to deliver a crime-reduction, problem-solving educational program to at-risk youth in DuPage County schools.

Title IV - Safe & Drug Free Schools - Formula - Accounts for federal monies received for, and payment of, expenditures incurred in the reform of elementary and secondary education.

Title II - Teacher Quality - To account for federal grant monies received for, and payment of, expenditures incurred for improvement of instruction in the classroom.

Learning Technology Centers - Accounts for the contract money received and the expenditures in providing a coordinated, statewide support infrastructure

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which assists school districts in planning for, implementing, assessing results and educating school staff in the use of technology and telecommunications in curricular, instructional and administrative functions.

Nonmajor Special Revenue Funds - DuPage County Regional Office of Education No. 19 reported the following funds as non-major special revenue funds.

General Education Development (GED) - Used to account for the revenues and expenditures associated with the processing of applications for the high school level Test of General Educational Development and the issuance of diplomas upon successful completion of the examination. Statutes require excess funds accumulated for periods exceeding three years to be transferred into the Institute Fund.

Bus - Used to account for revenue from the issuance of school bus driver permits and to sponsor instructional training courses for school bus drivers.

Supervisory - Used to account for an annual appropriation of State common school funds for the expenses incurred in providing supervisory services.

Area I - Used to account for the revenue received and the expenditures incurred for Area I program.

Suburban Council of Reading Consultants - Used to account for the revenue received and the expenditures incurred for reading consultants references.

Reorganization Incentive - Feasibility Study - Used to account for funds received for, and payment of, expenditures for feasibility studies being used as a tool to investigate the advantages and/or disadvantages of reorganization options for the school districts involved in the study.

Proprietary Fund Types

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

Local Services - Used to account for the revenues and expenses associated with workshops conducted by the DuPage County Regional Office of Education No. 19. In addition, this fund accounts for the revenues and expenses of the Gifted Planning Activities and the Math on Mondays contract.

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Teacher Inservice for DuPage Educators (TIDE) - Used to account for the revenues received through certificate registration fees and the expenditures incurred for the TIDE program.

Criminal Background Investigation - Accounts for the assessment received from the school districts to pay for the processing of fingerprinting the substitute teachers and expenditures incurred providing this service to the school districts.

Fiduciary Fund Type

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

Agency Funds - The Agency Funds are used to account for assets held as an agent for individuals, private organizations, other governmental units and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of operations. The Agency Funds include the following:

Distributive - Used to account for funds received from ISBE and disbursed as a result of the Superintendent's responsibility to receive and distribute to treasurers of school districts and other agencies, monies due to them from general state aid, state categorical grants, and various other sources.

DuPage Career Education Center (DCEC) - DCEC is a cooperative of school districts, providing support services for career education programs for kindergarten through the eighth grade. DCEC provides staff-in-service, a community resource files, an audio-visual collection and a library of professional materials for teacher's classroom use, and coordinates the DuPage County Business Education Partnership Program. The program is funded through the Illinois State Board of Education, Division of Adult Vocational and Technical Education.

Consortium for Educational Change (CEC) - CEC is a consortium composed of approximately 60 school districts in suburban Chicago and downstate Illinois. Its mission is to improve student achievement by working with member districts and schools in becoming collaborative, high performing organizations.

F. Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

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On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

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

G. Cash and Cash Equivalents

For presentation in the financial statements, investments with an original maturity of three months or less at the time they are purchased by the ROE are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

H. Capital Assets

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

Capital assets are recorded at cost at time of acquisition or fair value at the date of donation. The ROE capitalizes items costing \$500 or more. Depreciation is calculated on a straight-line basis over the estimated useful lives (five to twenty years) of the respective assets.

I. Deferred Revenues

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

J. Net Assets

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

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

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

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

K. Management Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

L. Budgetary Data

The DuPage County Regional Office of Education No. 19 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. These budgets were used to prepare budgetary comparison schedules for the following programs:

General Fund:

- ROE/ISC Operations

Special Revenue Funds:

- Early Childhood Parenting Program
- Truants' Alternative Program
- Regional Safe Schools and General State Aid
- Career & Technical Education Improvement
- Statewide Reading Leadership
- Learning Technology Centers

M. Interest Revenue

ISBE funds received by DuPage County Regional Office of Education No. 19 for the Distributive Fund accrue interest for the period of time between the receipt of funds and clearance of checks to recipients. Interests are distributed semi-annually to recipients.

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NOTE 2 - CASH AND INVESTMENTS

Deposits

The DuPage County Regional Office of Education No. 19 utilizes several different bank accounts for its various activities. The book balance of such accounts is \$118,315 at June 30, 2006, while the bank balance was \$633,287. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2006.

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

Category 1 includes deposits covered by depository insurance or collateral held by DuPage County Regional Office of Education No. 19 in its name.

Category 2 includes deposits covered by collateral held by the financial institutions in a pledged safekeeping account in the name of DuPage County Regional Office of Education No. 19.

Category 3 includes deposits which are uncollateralized or the collateral is held by the financial institution trust department but not in the name of DuPage County Regional Office of Education No. 19.

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

	<u>Bank Balance</u>
Category 1	\$ 100,000
Category 2	410,965
Category 3	-
Exempt	122,322
Total	<u>\$ 633,287</u>

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The exempt funds are those deposited into the Illinois Funds.

Investments

The ROE's established investment policy follows the State of Illinois Public Funds Investment Act which authorizes the ROE to purchase certain obligations of the U.S. Treasury, federal agencies and instrumentalities; certificates of deposit and time deposits covered by Federal depository insurance; commercial paper of U.S. corporations with assets exceeding \$500,000,000, if such paper is rated at the highest classification established by at least two standard rating services; money market funds and the Illinois Funds.

The ROE has pooled its investments. Investments are stated at fair value. Net income from investments of pooled funds is allocated and credited to the original sources of the funds. As of June 30, 2006, the ROE's investments are certificate of deposits and government securities amounting to \$421,633 and \$1,879,111, respectively.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The ROE's policy for reducing its exposure to the risk is to structure the ROE's portfolio so that securities mature to meet the ROE's cash requirements for ongoing operations. As of June 30, 2006, all the investments have investment maturities of less than one year.

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

Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The ROE's policy for mitigating the risk is to diversify the investment portfolio so that the failure of any one issue will not place an undue financial burden on the ROE. As of June 30, 2006, the ROE's investments are certificates of deposits and government securities.

Custodial Credit Risk for investments is the risk that, in the event of a failure of the counterparty, the ROE will not be able to recover the value of the investments that are in the possession of an outside party. Originally, GASB Statement No. 3 discussed three categories of custodial credit risk as follows:

Category 1 includes investments that are insured or collateralized with securities held by the DuPage County Regional Office of Education No. 19 in its name.

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Category 2 includes investments collateralized with securities held by the financial institution in the name of DuPage County Regional Office of Education No. 19.

Category 3 includes uninsured and uncollateralized investments or the collateral is held by the financial institution trust department but not in the name of DuPage County Regional Office of Education No. 19.

Although investments classified under the traditional risk categories of 1 and 2 have been determined under GASB Statement No. 40 to be exposed to only minimal risk, and, based on this conclusion, the GASB chose to limit disclosure of custodial credit risk to investments that meet the definition of "Category 3", the ROE has decided to include categories 1 and 2 in the discussion. The ROE does not have a policy for custodial credit risk that further limits custodial arrangements from what is required by the State of Illinois Public Funds Investment Act. The following table reflects the ROE's level of risk as of June 30, 2006:

	Carrying Amount	Bank Balance	Category		
			1	2	3
Certificates of deposit	\$ 421,633	\$ 421,633	\$ 421,633	\$ -	\$ -
Government securities	1,879,111	1,879,111	-	1,879,111	-
Total	\$ 2,300,744	\$ 2,300,744	\$ 421,633	\$ 1,879,111	\$ -

NOTE 3 - CAPITAL ASSETS ACTIVITY

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

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006
GOVERNMENTAL FUNDS				
Furniture and equipment	\$ 629,631	\$ 61,896	\$ -	\$ 691,527
Building improvement	40,300	-	-	40,300
Total	669,931	61,896	-	731,827
Less: accumulated depreciation	293,278	102,960	-	396,238
Capital assets, net	\$ 376,653	(\$ 41,064)	\$ -	\$ 335,589
PROPRIETARY FUNDS				
Equipment	\$ 12,277	\$ -	\$ -	\$ 12,277
Less: accumulated depreciation	2,015	2,015	-	4,030
Capital assets, net	\$ 10,262	\$ 2,015	\$ -	\$ 8,247

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NOTE 4 - RETIREMENT FUND COMMITMENTS

Employees of DuPage County Regional Office of Education No. 19 are paid by, and considered employees of, county government. As such, related retirement obligations associated with these employees are the responsibilities of county government.

NOTE 5 - RETIREMENT PLANS

Teachers' Retirement System of the State of Illinois

The DuPage County Regional Office of Education No. 19 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2006, was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by 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 employer 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 DuPage County Regional Office of Education No. 19's TRS-covered employees.

- **On-behalf Contributions.** The State of Illinois makes employer pension contributions on behalf of the DuPage County Regional Office of Education No. 19. For the year ended June 30, 2006, the State of Illinois contributions were based on 7.06 percent of creditable earnings, and the DuPage County Regional Office of Education No. 19 recognized revenue and expenditures of \$76,783 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 (\$93,328) and 13.98 percent (\$101,959), respectively.

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The DuPage County Regional Office of Education No. 19 makes three other types of employer contributions directly to TRS.

- **2.2 Formula Contributions.** Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. Contributions for the year ended June 30, 2006 were \$6,309. Contributions for the years ended June 30, 2005, and June 30, 2004, were \$4,603 and \$4,230 respectively.
- **Federal and Trust Fund Contributions.** When TRS members are paid from federal and trust funds administered by the DuPage County Regional Office of Education No. 19, there is a statutory requirement for the DuPage County Regional Office of Education No. 19 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and trust funds will be the same as the state contribution rate to TRS. For the year ended June 30, 2006, the employer pension contribution was 7.06 percent of salaries paid from federal and trust funds. For the two years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2006, salaries totaling \$214,117 were paid from federal and trust funds that required employer contributions of \$15,117. For the years ended June 30, 2005 and June 30, 2004, required DuPage County Regional Office of Education No. 19 contributions were \$18,889 and \$4,565, respectively.
- **Early Retirement Option (ERO).** The DuPage County Regional Office of Education No. 19 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 for the Pipeline ERO). Under the ERO program that expired on June 30, 2005 and the Pipeline ERO, the maximum employer contribution is 100 percent of the member's highest salary used in the final average salary calculation. Under the Modified ERO, the maximum employer contribution is 117.5 percent. Both the 100 percent and 117.5 percent maximums apply when the member is age 55 at retirement. For the year ended June 30, 2006, the DuPage County Regional Office of Education No. 19 paid \$0 to TRS for employer contributions under the Pipeline ERO and Modified ERO programs. For the years ended June 30, 2005 and June 30, 2004, there were no salaries that qualified for this plan.

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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 trs.illinois.gov.

NOTE 6 - DEFICIT FUND BALANCES

The following funds have deficit fund balances as of June 30, 2006:

Workforce Investment Act	\$ 16,226
Truants Minors in Need of Supervision (TMINS)	72,597
System of Support (RESPRO)	44,047
Supervisory	245
Criminal Background Investigation	<u>27,672</u>
Total Deficit Fund Balances	<u>\$ 160,787</u>

Above deficit fund balances are expected to correct themselves through payments from the State, receipts from local sources and interest income in the next fiscal year.

NOTE 7 - ON-BEHALF SALARIES AND PENSION PLAN CONTRIBUTIONS

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

Regional Superintendent salary	\$ 88,540
Regional Superintendent benefits (includes State paid insurance)	5,361
Assistant Regional Superintendent salary	79,686
Assistant Regional Superintendent benefits (includes State paid insurance)	11,943
TRS Contributions	<u>76,783</u>
Total	<u>\$ 262,313</u>

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NOTE 8 - RELATED PARTY TRANSACTIONS

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

NOTE 9 - INTERFUND TRANSACTIONS

(a) Due From (To) Other Funds

The following is a summary of amounts due from (to) other funds as of June 30, 2006:

Fund	Due From Other Funds	Due To Other Funds
Institute Fund	\$ 312,165	\$ 15
Education Fund - Vocational Instruction Practicum	15	-
Education Fund - Internal Review	-	60
Education Fund - Title II - Professional Development	-	8,709
Education Fund - Regional Safe Schools and General State Aid	-	67,987
Education Fund - Department of Commerce and Economic Opportunity Grant	-	464
Proprietary Fund - Local Services	77,220	-
Proprietary Fund - Teacher Inservice for DuPage Educators	-	262,741
Proprietary Fund - Criminal Background Investigation	-	49,424
Total	<u>\$ 389,400</u>	<u>\$ 389,400</u>

(b) Transfers From (To) Other Funds

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

	Transfers-out	Transfers-in
Institute Fund	(\$ 51,582)	\$ -
Education Fund - Regional Safe Schools and General State Aid	(51,460)	-
Education Fund - Title I - Reading First Part B SEA Funds	(18)	-
Education Fund - Title IV - Community Service	-	197
Education Fund - Workforce Investment Act	-	51,460
Proprietary Fund - Local Services	(179)	-
Proprietary Fund - Teacher Inservice for DuPage Educators	-	51,582

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 10 - DUE FROM/TO OTHER GOVERNMENTS

The DuPage County Regional Office of Education No. 19's Special Revenue Funds, Proprietary Funds and Fiduciary Funds have funds due from/to the following government agencies:

DUE FROM OTHER GOVERNMENT

Illinois State Board of Education	\$ 16,352
Will County ROE - Professional Development Alliance	96,744
Kane County ROE	50,000
Local School Districts	<u>54,700</u>
Total	<u>\$ 217,796</u>

DUE TO OTHER GOVERNMENT

Illinois State Board of Education	\$ 35,414
DuPage County	554
Audio Visual Institute of DuPage	857
Local School Districts	<u>24,676</u>
Total	<u>\$ 61,501</u>

SUPPLEMENTARY INFORMATION

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 GENERAL FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2006

SCHEDULE 1

	<u>General</u>	<u>ROE/ISC Operations</u>	<u>Total</u>
ASSETS			
Cash	\$ 233	\$ 12,773	\$ 13,006
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other governmental units	-	857	857
FUND BALANCES			
Fund balances, unrestricted	233	11,916	12,149
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 233</u>	<u>\$ 12,773</u>	<u>\$ 13,006</u>

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
GENERAL FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006**

SCHEDULE 2

	<u>General</u>	<u>ROE/ISC Operations</u>	<u>Total</u>
REVENUES			
State sources	\$ -	\$ 258,148	\$ 258,148
On-behalf payments	262,313	-	262,313
	<hr/>	<hr/>	<hr/>
Total revenues	262,313	258,148	520,461
EXPENDITURES			
Salaries	-	178,148	178,148
Benefits	-	42,000	42,000
Purchased services	-	36,000	36,000
Supplies and materials	-	2,000	2,000
On-behalf payments	262,313	-	262,313
	<hr/>	<hr/>	<hr/>
Total expenditures	262,313	258,148	520,461
EXCESS OF REVENUES OVER EXPENDITURES			
	-	-	-
FUND BALANCES, BEGINNING OF YEAR			
	<hr/>	<hr/>	<hr/>
	233	11,916	12,149
FUND BALANCES, END OF YEAR			
	<hr/>	<hr/>	<hr/>
	\$ 233	\$ 11,916	\$ 12,149
	<hr/>	<hr/>	<hr/>

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 GENERAL FUND ACCOUNTS
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 3

	<u>ROE/ISC Operations</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
State sources	\$ 258,148	\$ 258,148	\$ -
EXPENDITURES			
Salaries	178,148	178,148	-
Benefits	42,000	42,000	-
Purchased services	36,000	36,000	-
Supplies and materials	2,000	2,000	-
Total expenditures	<u>258,148</u>	<u>258,148</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE, BEGINNING OF YEAR		<u>11,916</u>	
FUND BALANCE, END OF YEAR		<u>\$ 11,916</u>	

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2006

SCHEDULE 4

	Internal Review	Scientific Literacy	Title II - Professional Development	Vocational Instruction Practicum	Career Awareness and Development	Early Childhood Parenting Program	Truants' Alternative Program
\$	60	\$ 31,477	\$ 8,944	\$ (15)	\$ 1,305	\$ (1,352)	\$ -
	-	-	-	15	-	-	-
	-	-	-	-	-	1,352	-
	60	31,477	8,944	-	1,305	-	-

ASSETS

Cash (overdrafts)
 Due from other funds
 Due from other governmental units

Total assets

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable
 Due to other funds
 Due to other governmental units
 Deferred revenues
 Total liabilities

FUND BALANCES

Fund balances (deficit), unrestricted

TOTAL LIABILITIES AND FUND BALANCES

\$	60	\$ 31,477	\$ 8,944	\$ -	\$ 1,305	\$ -	\$ -
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DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2006

SCHEDULE 4
 (CONTINUED)

	McKinney Education for Homeless	Regional Safe Schools and General State Aid	Certificate Renewal Administration	Learning Standards	Title I - Reading First Part B SEA Funds	Title IV - Community Service	Department of Commerce and Economic Opportunity Grant
Cash (overdrafts)	\$ (50,000)	\$ 229,867	\$ 497	\$ 1,900	\$ -	\$ -	\$ 464
Due from other funds	-	-	-	-	-	-	-
Due from other governmental units	50,000	-	-	-	-	-	-
Total assets	-	229,867	497	1,900	-	-	464

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	-	-	-	-	-	-	-
Due to other funds	-	67,987	-	-	-	-	464
Due to other governmental units	-	-	497	1,900	-	-	-
Deferred revenues	-	-	-	-	-	-	-
Total liabilities	-	67,987	497	1,900	-	-	464

FUND BALANCES

Fund balances (deficit), unrestricted	-	161,880	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 229,867	\$ 497	\$ 1,900	\$ -	\$ -	\$ 464

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2006

SCHEDULE 4
 (CONTINUED)

	Mathematics and Science Partnerships	Workforce Investment Act	Partnership in Character Education	Truants Minors in Need of Supervision (TMINS)	Standards Aligned Classroom	System of Support (RESPRO)	Statewide Reading Leadership
Cash (overdrafts)	\$ 11,051	\$ (16,226)	\$ 18,199	\$ (72,597)	\$ 965	\$ (140,791)	\$ 80,006
Due from other funds	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	96,744	15,000
Total assets	11,051	(16,226)	18,199	(72,597)	965	(44,047)	95,006

LIABILITIES AND FUND BALANCES

	Accounts payable	Due to other funds	Due to other governmental units	Deferred revenues	Total liabilities	FUND BALANCES
Accounts payable	10,003	-	-	-	-	95,006
Due to other funds	-	-	-	-	-	-
Due to other governmental units	-	-	-	-	-	-
Deferred revenues	-	-	-	-	-	-
Total liabilities	10,003	-	-	-	-	95,006

Fund balances (deficit), unrestricted

Fund balances (deficit), unrestricted	1,048	(16,226)	18,199	(72,597)	965	(44,047)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,051	\$ (16,226)	\$ 18,199	\$ (72,597)	\$ 965	\$ (44,047)	\$ 95,006

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2006

SCHEDULE 4
 (CONTINUED)

	Career & Technical Education Improvement	Juvenile Accountability Incentive Block	Title IV - Safe & Drug Free Schools - Formula	Title II - Teacher Quality	Learning Technology Centers	Total
Cash (overdrafts)	\$ -	\$ 554	\$ 197	\$ 385	\$ 44	\$ 104,934
Due from other funds	-	-	-	-	-	15
Due from other governmental units	-	-	-	-	-	163,096
Total assets	-	554	197	385	44	268,045

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	-	-	-	-	-	105,009
Due to other funds	-	-	-	-	-	77,220
Due to other governmental units	-	554	-	-	-	35,968
Deferred revenues	-	-	197	385	-	582
Total liabilities	-	554	197	385	-	218,779

FUND BALANCES

Fund balances (deficit), unrestricted	-	-	-	-	44	49,266
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 554	\$ 197	\$ 385	\$ 44	\$ 268,045

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 5

	Internal Review	Scientific Literacy	Title II - Professional Development	Vocational Instruction Practicum	Career Awareness and Development	Early Childhood Parenting Program	Truants' Alternative Program
REVENUES							
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	105,002	129,110
Local sources	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total revenues	-	-	-	-	-	105,002	129,110
EXPENDITURES							
Salaries	-	-	-	-	-	71,972	95,356
Benefits	-	-	-	-	-	19,758	22,437
Purchased services	-	-	-	-	-	11,605	11,317
Supplies and materials	-	-	-	-	-	1,667	-
Capital expenditures	-	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	105,002	129,110
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-	-	-	-
OTHER FINANCING SOURCES (USES)							
Transfers in (out)	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES	-	-	-	-	-	-	-
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	-	-	-	-	-	-	-
FUND BALANCES (DEFICIT), END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 5
 (CONTINUED)

	McKinney Education for Homeless		Regional Safe Schools and General State Aid		Certificate Renewal Administration		Learning Standards		Title I - Reading First Part B SEA Funds		Title IV - Community Service		Department of Commerce and Economic Opportunity Grant
	\$		\$		\$		\$		\$		\$		
REVENUES													
Federal sources													
State sources	107,400	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Local sources	-		2,164,104		-		-		-		-		-
Miscellaneous	-		3,625		-		-		-		-		-
Total revenues	107,400		2,167,729		-		-		-		-		-
EXPENDITURES													
Salaries	9,997		888,071		-		-		-		-		-
Benefits	2,399		164,678		-		-		-		-		-
Purchased services	68,887		422,198		-		-		-		-		-
Supplies and materials	21,172		82,792		-		-		-		-		-
Capital expenditures	4,945		22,424		-		-		-		-		-
Payments to other governments	-		438,503		-		-		-		465		197
Total expenditures	107,400		2,018,566		-		-		-		465		197
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES													
	-		149,063		-		-		(465)		(197)		-
OTHER FINANCING SOURCES (USES)													
Transfers in (out)	-		(51,460)		-		-		(18)		197		-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES													
	-		97,603		-		-		(483)		-		-
FUND BALANCES (DEFICIT), BEGINNING OF YEAR													
	-		64,277		-		-		483		-		-
FUND BALANCES (DEFICIT), END OF YEAR													
	\$		\$ 161,880		\$		\$		\$		\$		\$

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 5
 (CONTINUED)

	Mathematics and Science Partnerships	Workforce Investment Act	Partnership in Character Education	Truants Minors in Need of Supervision (TMINS)	Standards Aligned Classroom	System of Support (RESPRO)	Statewide Reading Leadership
REVENUES							
Federal sources	\$ -	\$ 69,867	\$ 186,875	\$ -	\$ 24,839	\$ 395,824	\$ -
State sources	-	308	-	71,235	-	22,100	151,719
Local sources	-	-	-	-	-	-	-
Miscellaneous	-	-	40,642	-	-	5,620	-
Total revenues	-	70,175	227,517	71,235	24,839	423,544	151,719
EXPENDITURES							
Salaries	-	66,553	90,872	37,838	-	145,378	-
Benefits	-	17,354	21,868	12,972	569	24,755	8,242
Purchased services	-	816	95,696	19,428	19,251	266,172	114,794
Supplies and materials	-	1,678	1,140	1,375	4,084	19,072	28,683
Capital expenditures	-	-	-	-	-	4,921	-
Payments to other governments	-	-	-	-	-	-	-
Total expenditures	-	86,401	209,576	71,613	23,904	460,298	151,719
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(16,226)	17,941	(378)	935	(36,754)	-
OTHER FINANCING SOURCES (USES)							
Transfers in (out)	-	51,460	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES	-	35,234	17,941	(378)	935	(36,754)	-
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	1,048	(51,460)	258	(72,219)	30	(7,293)	-
FUND BALANCES (DEFICIT), END OF YEAR	\$ 1,048	\$ (16,226)	\$ 18,199	\$ (72,597)	\$ 965	\$ (44,047)	\$ -

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 5
 (CONTINUED)

	Career & Technical Education Improvement	Juvenile Accountability Incentive Block	Title IV - Safe & Drug Free Schools - Formula	Title II - Teacher Quality	Learning Technology Centers	Total
REVENUES						
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 784,805
State sources	115,298	-	-	-	141,365	2,900,241
Local sources	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	49,887
Total revenues	<u>115,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,365</u>	<u>3,734,933</u>
EXPENDITURES						
Salaries	42,762	-	-	-	75,606	1,524,405
Benefits	7,333	-	-	-	23,979	326,344
Purchased services	5,437	-	-	-	36,200	1,071,801
Supplies and materials	597	-	-	-	-	162,260
Capital expenditures	-	-	-	-	5,580	37,870
Payments to other governments	59,169	-	-	-	-	498,334
Total expenditures	<u>115,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,365</u>	<u>3,621,014</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-	-	113,919
OTHER FINANCING SOURCES (USES)						
Transfers in (out)	-	-	-	-	-	179
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES	-	-	-	-	-	114,098
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	-	-	-	-	44	(64,832)
FUND BALANCES (DEFICIT), END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ 44	\$ 49,266

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 EDUCATION FUND
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2006

	Early Childhood Parenting Program			Truants' Alternative Program		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State sources	\$ 108,263	\$ 105,002	\$ (3,261)	\$ 129,110	\$ 129,110	\$ -
Local sources	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>108,263</u>	<u>105,002</u>	<u>(3,261)</u>	<u>129,110</u>	<u>129,110</u>	<u>-</u>
EXPENDITURES						
Salaries	77,568	71,972	5,596	95,356	95,356	-
Benefits	17,962	19,758	(1,796)	22,539	22,437	102
Purchased services	10,733	11,605	(872)	11,215	11,317	(102)
Supplies and materials	2,000	1,667	333	-	-	-
Capital expenditures	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-
Total expenditures	<u>108,263</u>	<u>105,002</u>	<u>3,261</u>	<u>129,110</u>	<u>129,110</u>	<u>-</u>
	\$ -	-	\$ -	\$ -	-	\$ -
EXCESS OF REVENUES OVER EXPENDITURES						
	-	-	-	-	-	-
OTHER FINANCING USES						
Transfer out	-	-	-	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES						
	-	-	-	-	-	-
FUND BALANCES, BEGINNING OF YEAR						
	-	-	-	-	-	-
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 EDUCATION FUND
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 6
 (CONTINUED)

	Regional Safe Schools and General State Aid *		Career & Technical Education Improvement		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
REVENUES					
State sources	\$ 1,307,674	\$ 2,164,104	\$ 115,298	\$ 115,298	\$ -
Local sources	-	3,625	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>1,307,674</u>	<u>2,167,729</u>	<u>115,298</u>	<u>115,298</u>	<u>-</u>
EXPENDITURES					
Salaries	747,303	888,071	41,980	42,762	(782)
Benefits	160,951	164,678	7,333	7,333	-
Purchased services	306,120	422,198	5,437	5,437	-
Supplies and materials	72,800	82,792	1,379	597	782
Capital expenditures	20,500	22,424	-	-	-
Payments to other governments	-	438,503	59,169	59,169	-
Total expenditures	<u>1,307,674</u>	<u>2,018,666</u>	<u>115,298</u>	<u>115,298</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	149,063	\$ -	\$ -	\$ -
OTHER FINANCING USES					
Transfer out	-	(51,460)	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES		97,603			
FUND BALANCES, BEGINNING OF YEAR		64,277			
FUND BALANCES, END OF YEAR		<u>\$ 161,880</u>		<u>\$ -</u>	

* includes \$831,784 General State Aid Grant for which there is no budgeted expenditure.

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 EDUCATION FUND
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 6
 (CONTINUED)

	Statewide Reading Leadership		Learning Technology Centers		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
REVENUES					
State sources	\$ 151,719	\$ 151,719	\$ 141,365	\$ 141,365	\$ -
Local sources	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>151,719</u>	<u>151,719</u>	<u>141,365</u>	<u>141,365</u>	<u>-</u>
EXPENDITURES					
Salaries	-	-	75,606	75,606	-
Benefits	-	8,242	23,630	23,979	(349)
Purchased services	78,000	114,794	36,826	36,200	626
Supplies and materials	62,000	28,683	-	-	-
Capital expenditures	-	-	5,303	5,580	(277)
Payments to other governments	-	-	-	-	-
Total expenditures	<u>140,000</u>	<u>151,719</u>	<u>141,365</u>	<u>141,365</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ 11,719	\$ -	\$ -	\$ -	\$ -
OTHER FINANCING USES					
Transfer out	-	-	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES	-	-	-	-	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-	44	44
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ -	\$ 44	\$ 44

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 EDUCATION FUND
 BUDGETARY COMPARISON SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 6
 (CONTINUED)

	Total		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
State sources	\$ 1,953,429	\$ 2,806,598	\$ 853,169
Local sources	-	3,625	3,625
Miscellaneous	-	-	-
Total revenues	<u>1,953,429</u>	<u>2,810,223</u>	<u>856,794</u>
EXPENDITURES			
Salaries	1,037,813	1,173,767	(135,954)
Benefits	232,415	246,427	(14,012)
Purchased services	448,331	601,551	(153,220)
Supplies and materials	138,179	113,739	24,440
Capital expenditures	25,803	28,004	(2,201)
Payments to other governments	59,169	497,672	(438,503)
Total expenditures	<u>1,941,710</u>	<u>2,661,160</u>	<u>(719,450)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 11,719</u>	<u>149,063</u>	<u>\$ 137,344</u>
OTHER FINANCING USES			
Transfer out		<u>(51,460)</u>	
EXCESS OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES		<u>97,603</u>	
FUND BALANCES, BEGINNING OF YEAR		<u>64,321</u>	
FUND BALANCES, END OF YEAR		<u>\$ 161,924</u>	

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2006

SCHEDULE 7

	General Education Development	Bus	Supervisory	Area I	Suburban Council of Reading Consultants	Reorganization Incentive - Feasibility Study	Total
Cash (overdraft)	\$ 19,531	\$ 153,622	\$ (245)	\$ 3,014	\$ 2,228	\$ -	\$ 178,150

ASSETS

FUND BALANCES

Fund balances (deficit), unrestricted	\$ 19,531	\$ 153,622	\$ (245)	\$ 3,014	\$ 2,228	\$ -	\$ 178,150
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DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2006

	General Education Development	Bus	Supervisory	Area I	Suburban Council of Reading Consultants	Reorganization Incentive - Feasibility Study	Total
REVENUES							
State sources	\$ -	\$ 3,000	\$ 1,000	\$ -	\$ -	\$ 6,000	\$ 10,000
Local sources							
Licenses and permits	2,452	7,683	-	-	-	-	10,135
Miscellaneous	-	-	-	2,535	1,356	-	3,891
Total revenues	2,452	10,683	1,000	2,535	1,356	6,000	24,026
EXPENDITURES							
Purchased services	-	7,723	1,000	1,631	6,077	-	16,431
Supplies and materials	-	-	-	18	-	-	18
Payments to other governments	-	-	-	-	-	6,000	6,000
Total expenditures	-	7,723	1,000	1,649	6,077	6,000	22,449
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,452	2,960	-	886	(4,721)	-	1,577
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	17,079	150,662	(245)	2,128	6,949	-	176,573
FUND BALANCES (DEFICIT), END OF YEAR	\$ 19,531	\$ 153,622	\$ (245)	\$ 3,014	\$ 2,228	\$ -	\$ 178,150

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2006

SCHEDULE 9

	<u>Business Type Activities - Enterprise Funds</u>			<u>Total</u>
	<u>Local Services</u>	<u>Teacher Inservice for DuPage Educators</u>	<u>Criminal Background Investigation</u>	
ASSETS				
Current assets				
Cash	\$ 846,054	\$ 345,317	\$ -	\$ 1,191,371
Due from other funds	77,220	-	-	77,220
Due from other governmental units	11,980	-	14,079	26,059
Total current assets	<u>935,254</u>	<u>345,317</u>	<u>14,079</u>	<u>1,294,650</u>
Noncurrent assets				
Capital assets, net	574	-	7,673	8,247
Total assets	<u>935,828</u>	<u>345,317</u>	<u>21,752</u>	<u>1,302,897</u>
LIABILITIES				
Accounts payable	-	25,914	-	25,914
Due to other funds	-	262,741	49,424	312,165
Total liabilities	<u>-</u>	<u>288,655</u>	<u>49,424</u>	<u>338,079</u>
NET ASSETS				
Invested in capital assets, net of related debt	574	-	7,673	8,247
Unrestricted	935,254	56,662	(35,345)	956,571
Total net assets	<u>\$ 935,828</u>	<u>\$ 56,662</u>	<u>\$ (27,672)</u>	<u>\$ 964,818</u>

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19

SCHEDULE 10

NONMAJOR PROPRIETARY FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2006

	Business Type Activities - Enterprise Funds			Total
	Local Services	Teacher Inservice for DuPage Educators	Criminal Background Investigation	
OPERATING REVENUES				
Charges for services	\$ 367,798	\$ 445,713	\$ 30,948	\$ 844,459
OPERATING EXPENSES				
Salaries	6,135	-	-	6,135
Benefits	6,149	516	-	6,665
Purchased services	188,333	393,421	57,000	638,754
Supplies and materials	16,698	9,809	-	26,507
Capital expenditures	5,322	-	-	5,322
Depreciation	498	-	1,517	2,015
Miscellaneous	21,310	-	-	21,310
Total expenses	244,445	403,746	58,517	706,708
OPERATING INCOME (LOSS)	123,353	41,967	(27,569)	137,751
NONOPERATING REVENUES				
Interest	22,685	6,147	-	28,832
INCOME (LOSS) BEFORE OPERATING TRANSFERS	146,038	48,114	(27,569)	166,583
OPERATING TRANSFERS				
Transfers in (out)	(179)	51,582	-	51,403
CHANGE IN NET ASSETS	145,859	99,696	(27,569)	217,986
NET ASSETS, BEGINNING OF YEAR	789,969	(43,034)	(103)	746,832
NET ASSETS, END OF YEAR	\$ 935,828	\$ 56,662	\$ (27,672)	\$ 964,818

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 11

	<u>Business Type Activities - Enterprise Funds</u>			<u>Total</u>
	<u>Local Services</u>	<u>Teacher Inservice for DuPage Educators</u>	<u>Criminal Background Investigation</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts for workshops and services	\$ 355,818	\$ 445,713	\$ 36,291	\$ 837,822
Payments to suppliers	(231,663)	(377,316)	(36,291)	(645,270)
Payments to employees	(12,284)	(516)	-	(12,800)
Net cash provided by operating activities	<u>111,871</u>	<u>67,881</u>	<u>-</u>	<u>179,752</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITY:				
Transfers from (to) other funds	(179)	51,582	-	51,403
Net cash provided by (used in) non-capital financing activity	<u>(179)</u>	<u>51,582</u>	<u>-</u>	<u>51,403</u>
CASH FLOWS FROM INVESTING ACTIVITY:				
Interest	22,685	6,147	-	28,832
Net cash provided by investing activity	<u>22,685</u>	<u>6,147</u>	<u>-</u>	<u>28,832</u>
NET INCREASE IN CASH	134,377	125,610	-	259,987
CASH, BEGINNING OF YEAR	<u>711,677</u>	<u>219,707</u>	<u>-</u>	<u>931,384</u>
CASH, END OF YEAR	<u>\$ 846,054</u>	<u>\$ 345,317</u>	<u>\$ -</u>	<u>\$ 1,191,371</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 123,353	\$ 41,967	\$ (27,569)	\$ 137,751
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	498	-	1,517	2,015
Effects of changes in assets and liabilities:				
Due from (to) other funds	-	-	20,709	20,709
Due from other governmental units	(11,980)	-	5,343	(6,637)
Accounts payable	-	25,914	-	25,914
Net cash provided by operating activities	<u>\$ 111,871</u>	<u>\$ 67,881</u>	<u>\$ -</u>	<u>\$ 179,752</u>

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 FIDUCIARY FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2006

SCHEDULE 12

	<u>Distributive Fund</u>	<u>DuPage Career Education Center (DCEC)</u>	<u>Consortium for Educational Change (CEC)</u>	<u>Total</u>
ASSETS				
Cash (overdraft)	\$ 3,264	\$ 24,676	\$ (28,641)	\$ (701)
Due from other governmental units	-	-	28,641	28,641
	<u>3,264</u>	<u>24,676</u>	<u>-</u>	<u>27,940</u>
LIABILITIES				
Distributives payable	3,264	-	-	3,264
Due to other governmental units	-	24,676	-	24,676
	<u>\$ 3,264</u>	<u>\$ 24,676</u>	<u>\$ -</u>	<u>\$ 27,940</u>

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 FIDUCIARY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
 JUNE 30, 2006

SCHEDULE 13

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
DISTRIBUTIVE				
ASSETS				
Cash	\$ 3,264	\$ -	\$ -	\$ 3,264
Total assets	<u>3,264</u>	<u>-</u>	<u>-</u>	<u>3,264</u>
LIABILITIES				
Distributives payable	<u>3,264</u>	<u>-</u>	<u>-</u>	<u>3,264</u>
Total liabilities	<u>\$ 3,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,264</u>
DUPAGE CAREER EDUCATION CENTER (DCEC)				
ASSETS				
Cash	\$ 3,402	\$ 118,552	\$ 97,278	\$ 24,676
Total assets	<u>3,402</u>	<u>118,552</u>	<u>97,278</u>	<u>24,676</u>
LIABILITIES				
Due to other governmental units	<u>3,402</u>	<u>118,552</u>	<u>97,278</u>	<u>24,676</u>
Total liabilities	<u>\$ 3,402</u>	<u>\$ 118,552</u>	<u>\$ 97,278</u>	<u>\$ 24,676</u>
CONSORTIUM FOR EDUCATIONAL CHANGE (CEC)				
ASSETS				
Cash (overdraft)	\$ -	\$ 64,451	\$ 93,092	\$ (28,641)
Due from other governmental units	<u>-</u>	<u>28,641</u>	<u>-</u>	<u>28,641</u>
Total assets	<u>-</u>	<u>93,092</u>	<u>93,092</u>	<u>-</u>
LIABILITIES				
Due to other governmental units	<u>-</u>	<u>93,092</u>	<u>93,092</u>	<u>-</u>
Total liabilities	<u>\$ -</u>	<u>\$ 93,092</u>	<u>\$ 93,092</u>	<u>\$ -</u>
TOTAL				
ASSETS				
Cash (overdraft)	\$ 6,666	\$ 183,003	\$ 190,370	\$ (701)
Due from other governments and agencies	<u>-</u>	<u>28,641</u>	<u>-</u>	<u>28,641</u>
Total assets	<u>6,666</u>	<u>211,644</u>	<u>190,370</u>	<u>27,940</u>
LIABILITIES				
Distributives payable	<u>3,264</u>	<u>-</u>	<u>-</u>	<u>3,264</u>
Due to other government and agencies	<u>3,402</u>	<u>211,644</u>	<u>190,370</u>	<u>24,676</u>
Total liabilities	<u>\$ 6,666</u>	<u>\$ 211,644</u>	<u>\$ 190,370</u>	<u>\$ 27,940</u>

DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 14

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through / Award Number	FY 2006 Expenditures
DEPARTMENT OF EDUCATION			
Fund for the Improvement of Education			
<i>Partnership in Character Education</i>	(M) 84.215S	Q215S030124-05	\$ 32,144
<i>Partnership in Character Education</i>	(M) 84.215S	Q215S030124-06	154,731
			<u>186,875</u>
Education for Homeless Children and Youth			
Passed-Through Kane County Regional Office of Education No. 31 <i>McKinney Education for Homeless</i>	(M) 84.196A	2006-4920-00	107,400
Title I Grants to Local Educational Agencies			
Passed-Through Will County Regional Office of Education No. 56			
<i>Title I - School Improvement & Accountability</i>	(M) 84.010A	2005-4331-SS	21,600
<i>Title I - School Improvement & Accountability</i>	(M) 84.010A	2006-4331-SS	342,952
			<u>364,552</u>
Improving Teacher Quality State Grants			
Passed-Through Will County Regional Office of Education No. 56			
<i>Title II - Teacher Quality Leadership Grant</i>	(M) 84.367A	2005-4935-SS	5,400
<i>Title II - Teacher Quality Leadership Grant</i>	(M) 84.367A	2006-4935-SS	25,872
			<u>31,272</u>
Other Federal Grants			
Passed-Through Will County Regional Office of Education No. 56			
<i>Standards Aligned Classroom Grant</i>	84.289A	2005-4999-00	3,699
<i>Standards Aligned Classroom Grant</i>	84.289A	2006-4999-00	21,140
			<u>24,839</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 714,938</u>
DEPARTMENT OF LABOR			
Workforce Investment Act (WIA) Youth Activities			
Passed-Through County of DuPage			
<i>Workforce Investment Act (WIA)</i>	17.259	PY2004-1-MOD#1	\$ 69,867
TOTAL DEPARTMENT OF LABOR			<u>\$ 69,867</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 784,805</u>

(M) Program was audited as major program.

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

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 1. Reporting Entity Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of DuPage County Regional Office of Education No. 19 and is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2. Subrecipients

Not Applicable.

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

Partnership in Character Education aims to improve the quality of education, assist all students to meet challenging State content standards, and contribute to the achievement of elementary and secondary students. This is accomplished through working directly with parents, school staff and community members, conducting high-quality development seminars and implementing a permanent evaluation system.

McKinney Education for Homeless is designed to provide counseling and educational support to homeless children and their families. The programs are funded by a Federal Stewart B. McKinney Education for Homeless Children and Youth Grant administered through the Illinois State Board of Education.

System of Support (RESPRO) is designed to help schools meet No Child Left Behind initiative with the Title I - School Improvement & Accountability and Title II - Teacher Quality Leadership Grants.

Note 4. Non-Cash Assistance

Not Applicable.

Note 5. Amount of Insurance

Not Applicable.

**DUPAGE COUNTY REGIONAL OFFICE OF EDUCATION NO. 19
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 6. Loans or Loan Guarantees Outstanding

Not Applicable.