

State of Illinois
LEE/OGLE COUNTIES
REGIONAL OFFICE OF EDUCATION No. 47
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



**LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
FOR THE YEAR ENDED JUNE 30, 2006**

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LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47

AGENCY OFFICIALS

Regional Superintendent
Current and during audit period

Ms. Amy Jo Clemens

Assistant Regional Superintendent
Current and during audit period

Ms. Sarah Willey

Agency offices are located at:

7772 Clinton St.
Dixon, IL 61021

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47

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>
Findings	4	3
Repeated findings	3	0
Prior recommendations implemented or not repeated	0	0

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page(s)</u>	<u>Description</u>
FINDINGS (<i>GOVERNMENT AUDITING STANDARDS</i>)		
06-01	11-12	Controls over compliance with laws and regulations
06-02	13	Preparation of financial statements
06-03	14	Controls over financial reporting
06-04	15	Under-collateralization of bank accounts
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)		
-N/A-		
PRIOR FINDINGS NOT REPEATED (<i>GOVERNMENT AUDITING STANDARDS</i>)		
-N/A-		
PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)		
-N/A-		

EXIT CONFERENCE

An informal exit conference was held via telephone with agency personnel on February 5, 2007. Attending were Ms. Amy Jo Clemens, Regional Superintendent and Ms. Paula McCoy from Lee/Ogle Counties Regional Office of Education No. 47; and Ms. Maria de J. Prado, Partner and Ms. Cecilia Salinas, Manager from Prado & Renteria CPAs, Prof. Corp. The responses to the recommendations were provided by Ms. Amy Jo Clemens in an e-mail dated March 6, 2007 (items 06-01, 06-02 and 06-03) and orally on May 14, 2007 (item 06-04).

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Lee/Ogle Counties Regional Office of Education No. 47 was performed by Prado & Renteria CPAs, Prof. Corp.

Based on their audit, the auditors expressed an unqualified opinion on the agency'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, each major fund, and the aggregate remaining fund information of the Lee/Ogle Counties Regional Office of Education No. 47, as of and for the year ended June 30, 2006, which collectively comprise the Lee/Ogle Counties Regional Office of Education No. 47's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lee/Ogle Counties Regional Office of Education No. 47's management. Our responsibility is to express opinions on these financial statements based on our audit.

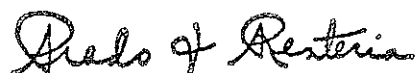
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lee/Ogle Counties Regional Office of Education No. 47, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2006 on our consideration of the Lee/Ogle Counties Regional Office of Education No. 47's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The *Management's Discussion and Analysis* and *Illinois Municipal Retirement Fund Schedule of Funding Progress* on pages 22 through 27, and page 49 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lee/Ogle Counties Regional Office of Education No. 47'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 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. 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.



Chicago, Illinois
October 31, 2006



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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lee/Ogle Counties Regional Office of Education No. 47, as of and for the year ended June 30, 2006, which collectively comprise the Lee/Ogle Counties Regional Office of Education No. 47's basic financial statements and have issued our report thereon dated October 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

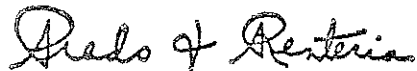
In planning and performing our audit, we considered the Lee/Ogle Counties Regional Office of Education No. 47's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Regional Office of Education No. 47's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06-02, 06-03 and 06-04.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lee/Ogle Counties Regional Office of Education No. 47'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 an immaterial instance of noncompliance which we reported on the accompanying Schedule of Findings and Questioned Costs as item 06-01.

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.



Chicago, Illinois
October 31, 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 Lee/Ogle Counties Regional Office of Education No. 47 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 Lee/Ogle Counties Regional Office of Education No. 47'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 Lee/Ogle Counties Regional Office of Education No. 47's management. Our responsibility is to express an opinion on the Lee/Ogle Counties Regional Office of Education No. 47'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 Lee/Ogle Counties Regional Office of Education No. 47'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 Lee/Ogle Counties Regional Office of Education No. 47's compliance with those requirements.

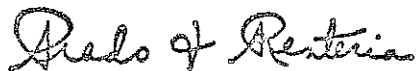
In our opinion, the Lee/Ogle Counties Regional Office of Education No. 47 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Lee/Ogle Counties Regional Office of Education No. 47 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 Lee/Ogle Counties Regional Office of Education No. 47'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 operation that we consider to be material weaknesses.

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



Chicago, Illinois
October 31, 2006

**LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
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) X yes _____ no
- 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 Section .510(a) Circular A-133? _____ yes X no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.196	McKinney- Education for Homeless Children

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

Auditee qualified as low-risk auditee: X yes _____ no

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2006

Part II: Findings Related to the Financial Statements:

Finding No. 06-01 – Controls Over Compliance with Laws and Regulations (Repeated from: 05-01)

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 5/3-14.5 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. 47 is not examining all books, accounts, and vouchers of every school treasurer in its 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 signs off on the Annual Financial Reports from the school districts in her region. In addition, the Regional Office gets a spreadsheet from the Illinois State Board of Education (ISBE) that outlines all of the school districts and their audit exceptions, if any. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

While these are reviews involving the finances of school treasurers, they are not in the level of detail required by 105 ILCS 5/3-14.11.

- B. The Regional Office of Education No. 47 performs compliance inspections of each public school in her region on a rotational basis every 4 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.

The Regional Office conducts compliance reviews of four districts (out of a total of 18) per year. These reviews include review of governance and operations, general health and safety, personnel and instructional programs (including special education and transitional bilingual and instruction programs).

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2006

Effect:

The Regional Office of Education No. 47 did not comply with statutory requirements.

Causes:

- A. The Regional Superintendent believes this mandate is outdated and that she is satisfying the intent of the statute by other reviews she undertakes.
- B. The Regional Superintendent believes this mandate is covered through the many different visits to every school throughout the year by various ROE personnel and the various documents and approvals that must be submitted to the ROE or submitted to ISBE and reviewed by the ROE.

Recommendations:

- A. The Regional Office of Education No. 47 should comply with the requirements of 105 ILCS 5/3-14.11.
- B. The Regional Superintendent should visit each public school annually to review all items required by 105 ILCS 5/3-14.5.

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

Management's Responses:

- A. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 5/3-7 of the Illinois School Code is a more current, thorough, and comprehensive requirement concerning a public school district's financial transactions. As a result, the two parties working together will seek legislation to repeal section 5/3-14.11 of the Illinois School Code.
- B. The 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.

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2006

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

Finding No. 06-02 -- Preparation of Financial Statements (Repeated from: 05-02)

Criteria/specific requirement:

Accounting principles generally accepted in the United States of America require government-wide financial statements to be prepared on the accrual basis of accounting and the fund financial statements to be prepared on the modified accrual basis of accounting.

Condition:

The Regional Office of Education No. 47 prepares its financial reports on the cash basis. The Regional Office is not maintaining records of its accounts receivable, accounts payable, and deferred revenue in order to efficiently and effectively convert their financial statements from a cash basis to the accrual basis and the modified accrual basis of accounting.

Effect:

Internal financial reports are not prepared in accordance with accounting principles generally accepted in the United States of America.

Cause:

The Regional Office did not maintain subsidiary records of accounts receivable, accounts payable, and deferred revenue.

Recommendation:

The Regional Office of Education No. 47 must maintain subsidiary records of accounts receivable, accounts payable, and deferred revenue balances. These records will make the conversion from cash basis financial statements to accrual basis and modified accrual basis financial statements a more efficient and effective process.

Management's Response:

The Lee/Ogle Regional Office of Education No. 47 continues to improve its record keeping. In addition to improving the financial data, there is a heightened emphasis on utilizing the accounting structures emphasized in the Illinois Program Accounting Manual. The ROE will also maintain subsidiary records of accounts receivable, accounts payable, deferred revenue and fund balances sufficient to allow for the preparation of accrual basis financial statements.

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2006

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

Finding No. 06-03 – Controls over Financial Reporting (Repeated from: 05-03)

Criteria/specific requirement:

Strong internal controls over financial reporting systems are required to prevent inaccuracies in the financial statements.

Condition:

The Regional Office of Education No. 47 did not have a review function over the financial reporting throughout the year. As a result, the auditors identified and proposed numerous adjustments to the preliminary financial statements.

Effect:

Lack of a good financial reporting system weakens internal control over financial reporting and may cause inaccuracies in the final financial statements.

Cause:

The Regional Office of Education No. 47 was in the process of converting its recordkeeping activities to one system during this fiscal year 2006. The conversion consumed the time of personnel assigned to recordkeeping functions. Financial statements were reviewed at the end of the fiscal year.

Recommendation:

The Lee/Ogle Counties Regional Office of Education No. 47 should have controls over the financial reporting which include periodic reviews of transactions for proper recording and accuracy.

Management's Response:

The Regional Office of Education No. 47 has fully converted all of its recordkeeping activities to one system for the fiscal year 2007. Internal reporting documents now show all revenues and expenditures by activity, program, and fund resulting in a monthly summary statement of all accounts. These financial statements are currently reviewed by the bookkeeper, Assistant Regional Superintendent and Regional Superintendent.

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2006

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

Finding No. 06-04 – Under-collateralization of Bank Accounts

Criteria/specific requirement:

The Public Funds Deposit Act (30 ILCS 225/1) gives the authorization for deposits in excess of the federally insured limit to be covered by pledged collateral held by the financial institutions' trust departments in the Regional Office of Education No. 47's name. In addition, prudent business practice requires that all cash and investments held by the financial institutions for the ROE be adequately covered by depository insurance or collateral.

Condition:

The Regional Office of Education No. 47 did not have sufficient collateral in place to insure their cash balances against possible loss. At year end, \$535,404 of Lee/Ogle Counties Regional Office of Education No. 47's bank balance of \$642,836 was exposed to custodial credit risk.

Effect:

Failure to secure full collateral on cash and investment balances may result in monetary losses to the Regional Office of Education No. 47.

Cause:

This condition existed because the Regional Office of Education No. 47 did not carry sufficient collateral to cover the amount of cash it had on deposit in its bank accounts.

Recommendation:

The Lee/Ogle Counties Regional Office of Education No. 47 should monitor collateral requirements for its bank accounts. The Regional Office should consider making a formal arrangement with the bank to automatically pledge securities for any deposit amounts in excess of the FDIC insured amount.

Management's Response:

The Regional Office of Education No. 47 has made formal arrangements with the bank and all deposit amounts in excess of the FDIC insured amount are collateralized.

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2006

Part III: Findings and Questioned Costs for Federal Awards: -N/A-

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR FINDINGS
JUNE 30, 2006

Corrective Action Plan

Finding No. 06-01 (Repeated from: 05-01)

Condition:

- A. The Regional Office of Education No. 47 is not examining all books, accounts, and vouchers of every school treasurer in its educational service area at least once each year as required by 105 ILCS 5/3-14.11.
- B. The Regional Office of Education No. 47 performs compliance inspections of each public school in her region on a rotational basis every 4 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.

Plan:

- A. The Regional Office of Education No. 47 will seek legislation to repeal section 5/3-14.11 of the Illinois School Code.
- B. 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.

Anticipated Date of Completion:

- A. The Regional Office of Education No. 47 anticipates that contact with the General Assembly will be made as soon as practical.
- B. The Regional Office of Education No. 47 anticipates that contact with the General Assembly will be made as soon as practical.

Name of Contact Person:

Ms. Amy Jo Clemens, Regional Superintendent

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR FINDINGS
JUNE 30, 2006

Corrective Action Plan

Finding No. 06-02 (Repeated from: 05-02)

Condition:

The Regional Office of Education No. 47 prepares its financial reports on the cash basis. The ROE is not maintaining records of its accounts receivable, accounts payable, and deferred revenue in order to efficiently and effectively convert their financial statements from a cash basis to the accrual basis and the modified accrual basis of accounting.

Plan:

The Regional Office of Education No. 47 continues to improve its record keeping. In addition to improving the financial data, there is a heightened emphasis on utilizing the accounting structures emphasized in the Illinois Program Accounting Manual. The ROE will also maintain subsidiary records of accounts receivable, accounts payable, deferred revenue and fund balances sufficient to allow for the preparation of accrual basis financial statement.

Anticipated Date of Completion:

The Regional Office expects to have subsidiary records for fiscal year 2007.

Name of Contact Person:

Ms. Amy Jo Clemens, Regional Superintendent

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR FINDINGS
JUNE 30, 2006

Corrective Action Plan

Finding No. 06-03 (Repeated from: 05-03)

Condition:

The Regional Office of Education No. 47 did not have a review function over the financial reporting throughout the year. As a result, the auditors identified and proposed numerous adjustments to the preliminary financial statements.

Plan:

The Regional Office of Education No. 47 has fully converted all of its recordkeeping activities to one system for the fiscal year 2007. Internal reporting documents now show all revenues and expenditures by activity, program, and fund resulting in a monthly summary statement of all accounts. These financial statements are currently reviewed by the bookkeeper, Assistant Regional Superintendent and Regional Superintendent.

Anticipated Date of Completion:

Effective July 1, 2007, the financial statements are being reviewed on a monthly basis.

Name of Contact Person:

Ms. Amy Jo Clemens, Regional Superintendent

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR FINDINGS
JUNE 30, 2006

Corrective Action Plan

Finding No. 06-04

Condition:

The Regional Office of Education No. 47 did not have sufficient collateral in place to insure their cash balances against possible loss. At year end, \$535,404 of Lee/Ogle Counties Regional Office of Education No. 47's bank balance of \$642,836 was exposed to custodial credit risk.

Plan:

The Regional Office of Education No. 47 has made formal arrangements with the bank and all deposit amounts in excess of the FDIC insured amount are collateralized.

Anticipated Date of Completion:

June 30, 2007

Name of Contact Person:

Ms. Amy Jo Clemens, Regional Superintendent

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
05-01	Controls Over Compliance with Laws and Regulations	Repeated
05-02	Preparation of Financial Statements	Repeated
05-03	Controls over Financial Reporting	Repeated

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2006

As management of Lee/Ogle Counties Regional Office of Education No. 47, we offer the readers of the financial statements this narrative overview and analysis of the financial activities of Lee/Ogle Counties Regional Office of Education No. 47 for the year ended June 30, 2006.

Management's Discussion and Analysis ("MD&A") is provided at the beginning of the report to provide an overview of Lee/Ogle Counties Regional Office of Education No. 47's financial position at June 30, 2006 and the results of operations for the year then ended. This summary should not be taken as a replacement for the audit report, which consists of the financial statements, notes to the financial statements, required and other supplementary information.

Using This Financial Report

The financial section of this annual report consists of five parts – Independent Auditor's Reports, required supplementary information which includes the MD&A (this section) and the Illinois Municipal Retirement Fund – Schedule of Funding Progress, the basic financial statements, the notes to the basic financial statements, and other supplementary information. The basic financial statements include two kinds of statements that present different views of Lee/Ogle Counties Regional Office of Education No. 47: 1) government-wide financial statements and 2) fund financial statements.

Government – Wide Financial Statements

The first two statements are government-wide financial statements that provide both short-term and long-term information about Lee/Ogle Counties Regional Office of Education No. 47's overall financial status, similar to a private sector business. In the government-wide financial statements, activities are shown in one category – governmental activities. Lee/Ogle Counties Regional Office of Education No. 47's basic service is education. These activities are largely financed with local, state and federal revenues.

The Statement of Net Assets presents information on all of Lee/Ogle Counties Regional Office of Education No. 47's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Lee/Ogle Counties Regional Office of Education No. 47 is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. The financial statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when earned; expenditures and liabilities are recognized when the service or goods are received, regardless of when the related cash flows are reported. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
YEAR ENDED JUNE 30, 2006

Fund Financial Statements

The fund financial statements provide more detailed information about Lee/Ogle Counties Regional Office of Education No. 47's funds – not Lee/Ogle Counties Regional Office of Education No. 47 as a whole. Funds are specific segregations of cash and accounting devices Lee/Ogle Counties Regional Office of Education No. 47 uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law, while others are established to control and manage money for particular purposes or to show that Lee/Ogle Counties Regional Office of Education No. 47 is properly using certain revenues.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for each. By doing so, readers may better understand the long-term impact of Lee/Ogle Counties Regional Office of Education No. 47's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

Lee/Ogle Counties Regional Office of Education No. 47 maintains individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for all these funds. These funds are considered major funds of Lee/Ogle Counties Regional Office of Education No. 47. Major funds are separately reported while non-major funds are combined into a single aggregated presentation. More detail of the individual revenues and expenditures for non-major funds is presented in the supplementary section of this report.

Lee/Ogle Counties Regional Office of Education No. 47 is not legally required to adopt budgets. Lee/Ogle Counties Regional Office of Education No. 47 is required by Illinois State Board of Education (ISBE), the granting agency, to adopt annual budgets for certain program money received by the Education Fund of the governmental funds. Budgetary Comparison Schedules have been provided as supplementary information for the major education funds only, which is in compliance with Governmental Accounting Standards Board ("GASB") Statement No. 34.

The last category of funds is the Fiduciary Funds (including Private-Purpose Trust and Agency Funds). The Regional Office of Education is the trustee, or agent, for assets that belong to others or are designated to be used for a specific purpose. Lee/Ogle Counties Regional Office of Education No. 47 is responsible for ensuring that the assets reported in these funds are used only for their intended purpose and by those to whom the assets belong. Lee/Ogle Counties Regional Office of Education No. 47's agency activities are reported in a separate Statement of Fiduciary Net Assets – Fiduciary Funds; Statement of Changes in Fiduciary Net Assets – Fiduciary Funds; Combining Statement of Fiduciary Net Assets – Agency Funds; and a Combining Statement of Changes in Assets and Liabilities – Agency Funds. These activities are excluded from the government-wide financial statements because Lee/Ogle Counties Regional Office of Education No. 47 cannot use these assets to finance its operations.

**LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
YEAR ENDED JUNE 30, 2006**

Net assets are summarized in the table below.

Condensed Statement of Net Assets	June 30, 2006	June 30, 2005
Assets:		
Current Assets	\$ 373,754	\$ 483,608
Capital Assets	<u>85,203</u>	<u>61,299</u>
Total Assets	<u>458,957</u>	<u>544,907</u>
Liabilities:		
Current Liabilities	72,037	222,236
Non-current Liabilities	<u>-0-</u>	<u>-0-</u>
Total Liabilities	<u>72,037</u>	<u>222,236</u>
Net Assets:		
Invested Capital Assets	85,203	61,299
Unrestricted	213,256	194,249
Restricted for Teacher Professional Development	<u>88,461</u>	<u>67,123</u>
Total Net Assets	<u>\$ 386,920</u>	<u>\$ 322,671</u>

Current assets consist of cash, \$341,931 and due from other governments, \$31,823 as of June 30, 2006.

As of June 30, 2006, Lee/Ogle Counties Regional Office of Education No. 47 had no outstanding long-term debt.

Lee/Ogle Counties Regional Office of Education No. 47's net assets consist of funds invested in capital assets and unrestricted net assets, which represent net assets that have not been restricted by an outside party. This includes funds that have been designated for specific uses as well as amounts that are contractually committed for goods and services. Net assets related to the Institute Fund are considered restricted for teacher professional development.

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
YEAR ENDED JUNE 30, 2006

Revenues, expenditures, and changes in net assets are summarized in the table below.

Condensed Statement of Activities For Fiscal Year Ending June 30,	2006	2005
Revenues:		
Program:		
Operating grants and contributions	\$1,383,073	\$1,199,204
General:		
Local sources	407,552	575,454
On-behalf payments	262,294	212,350
Interest	11,808	7,065
Total revenue	<u>\$2,064,727</u>	<u>\$1,994,073</u>
Expenditures		
Instructional services:		
Salaries	471,807	523,138
Benefits	64,039	72,662
Professional and technical services	648,897	539,433
General supplies	84,824	78,783
Capital outlay	(21,500)	21,267
Other objects	9,868	9,568
Payments to other governments	460,925	483,690
Depreciation expense	19,324	9,604
Administrative services:		
On-behalf payments	262,294	212,350
Total expenditures	<u>2,000,478</u>	<u>1,950,495</u>
Change in net assets	64,249	43,578
Net assets – beginning	<u>322,671</u>	<u>279,093</u>
Net assets – ending	<u>\$ 386,920</u>	<u>\$ 322,671</u>

Major sources of operating revenues for Lee/Ogle Counties Regional Office of Education No. 47 include: Federal and State grants, teacher certificate fees, GED application fees and intergovernmental revenue.

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
YEAR ENDED JUNE 30, 2006

Management's Analysis of the Regional Office of Education's Overall Financial Position and Results of Operations

During the year ended June 30, 2006, the ROE invested \$43,228 to purchase office equipment. In addition, the ROE reported \$19,324 of depreciation expense.

During the year, total revenue increased by \$70,654 from \$1,994,073 for the fiscal year ended June 30, 2005 to \$2,064,727 for the fiscal year ended June 30, 2006.

Although funding has been reduced for several programs, the overall increase in revenue of \$70,654 resulted from:

General Fund – There was additional funding in some grants including the Rural Education Achievement Program (REAP) and new funding of \$18,800 from the Alternative Learning Opportunities Program (ALOP). The change in net assets was \$21,965.

On-behalf payments increased by \$49,944 from \$212,350 in fiscal year 2005 to \$262,294 in fiscal year 2006 as a result of including payments made by Lee and Ogle Counties on-behalf of Regional Office of Education No. 47. These payments include personnel salaries.

Education Fund – Revenue increased due to additional funding for the Regional Safe School Program (RSSP-GSA). Related expenditures increased at a higher rate. The change in net assets was (\$3,527).

Institute Fund - Revenues increased by \$15,070 as a result of increase in teacher registrations and recognition of fiscal year 2005 deferred revenue. The change in net assets was \$21,338.

Non major Funds – Revenue increased as a result of increased General Education Development (GED) services. In addition, significant expenditure made in fiscal year 2005 was not repeated. This increase of revenues and decrease of expenditures reversed negative change in net assets trend of prior two years. The change in net assets was \$569.

During the year, total expenditures increased by \$49,983 from \$1,950,495 for the fiscal year ended June 30, 2005 to \$2,000,478 for the fiscal year ended June 30, 2006. This increase was primarily due to the increase of \$49,994 in on-behalf payments.

Total revenues for fiscal year 2006 were \$2,064,727 and total expenditures were \$2,000,478 resulting in an increase in net assets of \$64,249 from July 1, 2005 to June 30, 2006.

In terms of programs, in FY 2006, the Lee/Ogle ROE was able to increase services in a few local programs: Alternative Learning Opportunities Program at the Nachusa Campus School, Balanced and Restorative Justice Program through Ogle County Juvenile Justice Council, GED testing at the Department of Corrections facilities, and the local School Improvement Cooperative. Unfortunately, other programs were reduced or eliminated in 2006: Standards Aligned Classroom, System of Support, Title I Reading Program, Workforce Investment Act Programs (2) and the Technology Matters Federal Program.

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
YEAR ENDED JUNE 30, 2006

Factors or Conditions Impacting Future Periods

As could be seen in 2006, the state and federal grants are fluid, some have small increases and others experience decreases. Our expectation for 2007 is that, in general, programs addressing the needs of at-risk students will continue to have increases as follows:

Truants Alternative Optional Educational Program	\$9,665
Balanced and Restorative Justice	\$2,801
Alternative Learning Opportunities Program	\$55,951
Regional Safe Schools	\$65,305

The other trend is that, in general, programs for educator professional development will continue to have reductions as follows:

Standards Aligned Classrooms	\$12,000
System of Support	\$9,054
Paraprofessional Training	\$36,800
Math and Science Partnerships	\$21,627

Fortunately, the Illinois state line item for ROE School Services increased \$13,101 last year, but is still far below the 2003 level of \$88,572.

At this time, the greatest unfunded or under-funded programs are several statutorily mandated services. The costs to serve in these areas continue to rise, but the legislated payments have not been increased to keep pace. This includes: Bus Driver training has maintained a \$4 per driver fee for more than 10 years, teacher registration fees have maintained a \$5 per year fee for many years, and GED testing fees have not been increased in several years and do not cover expenses. Another concern with the ability to provide regulatory responsibilities lies with the county-funded services: compliance visits, health/life-safety paperwork and teacher certification. Due to the overall financial condition of the state, the individual counties have had to reduce expenditures, which means that county support for the offices has not increased proportionately and is expected to continue to under-pace expenditures.

Lee/Ogle Counties Regional Office of Education No. 47 is investigating investment opportunities with the Illinois Liquid Asset Fund to improve interest returns.

Contacting the Regional Office of Education No. 47's Financial Management

This financial report is designed to provide the Regional Office of Education No. 47's citizens, taxpayers, customers, and creditors with a general overview of the Regional Office of Education No. 47's finances and to demonstrate the Regional Office of Education No. 47's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Regional Office of Education No. 47, 7772 Clinton Street, Dixon, IL 61021.

BASIC FINANCIAL STATEMENTS

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$341,931
Due from other governments	<u>31,823</u>
Total current assets	373,754
Noncurrent assets:	
Capital assets, being depreciated, net	<u>85,203</u>
TOTAL ASSETS	<u>458,957</u>
 LIABILITIES	
Current Liabilities:	
Accounts payable	4,324
Due to other governments	10,844
Deferred revenue	<u>56,869</u>
TOTAL CURRENT AND TOTAL LIABILITIES	<u>72,037</u>
 NET ASSETS	
Invested capital assets	85,203
Unrestricted	213,256
Restricted for teacher professional development	<u>88,461</u>
TOTAL NET ASSETS	<u><u>\$386,920</u></u>

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

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Net (Expense) Revenue and Changes in Net Assets</u> <u>Primary Government</u> Governmental Activities
FUNCTIONS/PROGRAMS			
Primary government:			
Governmental activities:			
Instructional Services:			
Salaries	\$471,807	\$439,687	(\$32,120)
Benefits	64,039	58,589	(5,450)
Professional and technical services	648,897	385,600	(263,297)
General Supplies	84,824	50,626	(34,198)
Capital Outlay	(21,500)	17,303	38,803
Other Objects	9,868	0	(9,868)
Payments to other governments	460,925	431,268	(29,657)
Depreciation expense	19,324	0	(19,324)
Administrative:			
On-behalf payments	<u>262,294</u>	<u>0</u>	<u>(262,294)</u>
Total governmental activities	<u>\$2,000,478</u>	<u>\$1,383,073</u>	<u>(\$617,405)</u>
General revenues:			
Local sources - Intergovernmental and services			\$407,552
On-behalf payments			262,294
Interest			11,808
Transfers			<u>0</u>
Total general revenues, special and extraordinary items, and transfers			<u>681,654</u>
Change in net assets			64,249
Net assets - beginning			<u>322,671</u>
Net assets - ending			<u>\$386,920</u>

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

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General Fund</u>	<u>Education Fund</u>	<u>Institute Fund</u>	<u>Other Non-Major Funds</u>	<u>Total</u>
ASSETS					
Cash	\$205,563	\$39,286	\$88,461	\$8,621	\$341,931
Due from other governments	<u>4,000</u>	<u>25,054</u>	<u>0</u>	<u>2,769</u>	<u>31,823</u>
Total assets	<u>\$209,563</u>	<u>\$64,340</u>	<u>\$88,461</u>	<u>\$11,390</u>	<u>\$373,754</u>
LIABILITIES					
Accounts payable	\$1,327	\$2,997	\$0	\$0	\$4,324
Due to other governments	0	10,844	0	0	10,844
Deferred revenue	<u>2,310</u>	<u>54,559</u>	<u>0</u>	<u>0</u>	<u>56,869</u>
Total liabilities	<u>3,637</u>	<u>68,400</u>	<u>0</u>	<u>0</u>	<u>72,037</u>
FUND BALANCES					
Fund balance, unreserved - Special Revenue	0	(4,060)	88,461	11,390	95,791
Fund balance, unreserved - General	<u>205,926</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>205,926</u>
Total fund balances	<u>205,926</u>	<u>(4,060)</u>	<u>88,461</u>	<u>11,390</u>	<u>301,717</u>
Total liabilities and fund balance	<u>\$209,563</u>	<u>\$64,340</u>	<u>\$88,461</u>	<u>\$11,390</u>	<u>\$373,754</u>

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

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balance - governmental fund	\$301,717
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>85,203</u>
Net assets of governmental activities	<u><u>\$386,920</u></u>

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

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>General Fund</u>	<u>Education Fund</u>	<u>Institute Fund</u>	<u>Other Non-Major Funds</u>	<u>Total</u>
REVENUES					
Local sources					
Intergovernmental	\$342,254	\$4,045	\$30,927	\$0	\$377,226
Services	0	0	0	30,326	30,326
Interest	11,613	0	195	0	11,808
Total local sources	<u>353,867</u>	<u>4,045</u>	<u>31,122</u>	<u>30,326</u>	<u>419,360</u>
State sources	82,898	523,901	0	2,600	609,399
Federal sources	41,597	732,077	0	0	773,674
Total direct revenues	<u>478,362</u>	<u>1,260,023</u>	<u>31,122</u>	<u>32,926</u>	<u>1,802,433</u>
On-behalf payments	<u>262,294</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>262,294</u>
Total revenues	<u>740,656</u>	<u>1,260,023</u>	<u>31,122</u>	<u>32,926</u>	<u>2,064,727</u>
EXPENDITURES					
Salaries	78,096	388,122	0	5,589	471,807
Benefits	11,442	51,778	0	819	64,039
Professional and technical services	301,699	321,456	5,151	20,591	648,897
General supplies	26,395	49,922	3,149	5,358	84,824
Capital outlay	3,036	17,303	1,389	0	21,728
Payments to other governments	25,956	434,969	0	0	460,925
Other objects	9,773	0	95	0	9,868
Total direct expenditures	<u>456,397</u>	<u>1,263,550</u>	<u>9,784</u>	<u>32,357</u>	<u>1,762,088</u>
On-behalf payments	<u>262,294</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>262,294</u>
Total expenditures	<u>718,691</u>	<u>1,263,550</u>	<u>9,784</u>	<u>32,357</u>	<u>2,024,382</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	21,965	(3,527)	21,338	569	40,345
FUND BALANCE, UNRESERVED BEGINNING OF YEAR	<u>183,961</u>	<u>(533)</u>	<u>67,123</u>	<u>10,821</u>	<u>261,372</u>
FUND BALANCE, UNRESERVED END OF YEAR	<u>\$205,926</u>	<u>(\$4,060)</u>	<u>\$88,461</u>	<u>\$11,390</u>	<u>\$301,717</u>

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

**LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

Net change in fund balances		\$40,345
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of depreciable assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	\$43,228	
Depreciation expense	<u>(19,324)</u>	<u>23,904</u>
Change in net assets of governmental activities		<u><u>\$64,249</u></u>

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

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>Private-Purpose Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash	<u>\$ 27,408</u>	<u>\$ 68,818</u>
LIABILITIES		
Due to other governments	<u>-0-</u>	<u>\$ 68,818</u>
NET ASSETS		
Held in trust for other purposes	<u>\$ 27,408</u>	

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

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Private-Purpose Trust Fund</u>
ADDITIONS	
Local Sources:	
Interest	<u>\$0</u>
Change in net assets	0
Net assets - beginning	<u>27,408</u>
Net assets - ending	<u><u>\$27,408</u></u>

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

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lee/Ogle Counties Regional Office of Education No. 47 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

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

GASB Statement No. 34 established a financial reporting model for State and local governments that included the addition of a management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of the internal service activities and the use of account groups to the already required fund financial statements and notes.

A. Financial Reporting Entity

The Regional Superintendent is charged with responsibility for township fund lands; registration of the names of applicants for scholarships to State controlled universities; examinations and related duties; visitation of public schools; direction of teachers and school officers; to serve as the official advisor and assistant of school officers and teachers; to conduct teachers institutes as well as to aid and encourage the formation of other teachers meetings and assist in their management; evaluate the schools in the region; examine school treasurer's books, accounts, and vouchers; examine evidence of indebtedness; file and keep the returns of elections required to be returned to the Regional Superintendent's office; and file and keep the reports and statements returned by school treasurers and trustees.

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; proving notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before September 30; maintenance of a map and numbering of the Lee/Ogle Counties Regional Office of Education No. 47's districts; proving township treasurers with a list of district treasurers; inspecting and approving building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

The Regional Superintendent is responsible for inspection and approval or rejection of school treasurer's bonds. The Regional Superintendent is also required to provide the State Board of Education with an affidavit showing that the treasurers of school districts within his region are properly bonded.

The Lee/Ogle Counties Regional Office of Education No. 47's reporting entity includes all related organizations for which it exercises oversight responsibility.

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

The ROE has developed criteria to determine whether outside agencies with activities which benefit the citizens of the ROE's geographic responsibility, including joint agreements which serve pupils from numerous school districts, should be included within its financial reporting entity. The criteria include but are not limited to, whether the ROE exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

A joint agreement (Lee County Film Coop) has been determined to be part of the reporting entity after applying the manifesting of oversight, scope of public service and special financing relationships criteria and is therefore included in the accompanying financial statements because Lee/Ogle Counties Regional Office of Education No. 47 does control the assets, operations or management of the joint agreement. However, there is not any entity which would exercise such oversight as to result in Lee/Ogle Counties Regional Office of Education No. 47 being considered a component unit of the 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 ROE. The effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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. Other items not properly included among program revenues are reported instead as general revenues.

The Statement of Net Assets presents information on all of Lee/Ogle Counties Regional Office of Education No. 47's assets and liabilities, with the difference between the two reported as net assets. Net assets of the ROE are classified as Unrestricted, Invested Capital Assets, and Restricted for Teacher Professional Development. 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. Net Assets Restricted for Teacher Development relate to the Institute Fund.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary 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 fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The ROE reports the following major governmental funds:

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

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

Local Fund – to account for monies received for, and payment of, expenditures for various educational workshops and interest income related to various grants.

Major Special Revenue Funds – This fund type includes specific revenue sources that are restricted by law or regulation as to their use. The ROE reports the following major special revenue funds:

Institute Fund – The Institute fund is used to account for the stewardship of the assets held in trust for the benefit of the teachers. Fees are collected from registration of teachers' certificates of qualification. These funds are to be used to defray expenses connected with improving the technology necessary for the efficient processing of certificates as well as any expenses incidental to teachers' institutes, conferences and workshops or meetings of a professional nature that are designed to promote growth of teachers. All funds generated remain restricted until expended only on the aforementioned activities.

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Major Governmental Funds (Continued)

Education Fund – The Education Fund is used to account for the administration of educational programs and the following funds:

Illinois Family Violence Coordinating Council – to account for grant monies received for, and payment of, expenditures relating to violence prevention.

Mathematics and Science Partnership – to account for grant monies received for, and payment of, expenditures for improving teacher knowledge and skills in mathematics and science such that they prepare content-rich, contextual learning experiences which will increase the achievement of their middle school students in math and/or science.

Title I Reading First Part B SEA Funds – to account for the grant monies received for and payment of, expenditures related to this grade level reading program (kindergarten through grade three).

McKinney Education for Homeless Children – to account for the grant monies received for, and payments of, expenditures relating to McKinney Education for Homeless Children program.

Learning Improvement Through Non-Traditional Curriculum (LINC) – to account for grant monies received for, and payment of, expenditures for facilitation of the Internal Review of the Quality Review Process with local school districts relating to the LINC program.

Paraprofessional Test Prep Course – to account for grant monies received for, and payment of, expenditures for Paraprofessional Test Prep Course program.

Truants Alternative Education – to account for grant monies received for and payment of, expenditures related to Truants Alternative Education Program.

Connect – to account for the grant monies received for, and payment of the expenditures relating to the Connect Program.

ISBE/Mathematics – to account for grant monies received for, and payment of, expenditures to assist Illinois Schools in their efforts for the development of a statewide professional development design system.

Early Childhood Block Grant – to account for grant monies received for, and payment of, expenditures relating to Early Childhood Block Grant Prevention Initiative program.

Balance Restorative Justice (BARJ) – to account for grant monies received for, and payment of, expenditures relating to Balance Restorative Justice.

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Major Governmental Funds (Continued)

Education Fund (Continued)

Regional Safe Schools Program – to account for grant monies received for, and payment of, expenditures relating to Regional Safe Schools Program.

Regional Safe Schools Program – General State Aid (RSSP-GSA) – to account for the grant monies received for, and payment of the expenditures relating to the Regional Safe Schools Program – General State Aid.

Non-Major 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 ROE reports the following non-major special revenue funds:

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

General Educational Development Fund – to account for administration of the General Educational Development Testing Program. Revenues are received from testing and diploma fees.

Supervisory Expense – to account for monies from the State of Illinois for expenditures incurred providing supervisory services in the Counties.

Film Coop – to account for maintenance of a cooperative film coop for the benefit of various school districts.

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Fiduciary Fund Types - Fiduciary Funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Private-Purpose Trust Fund – Private Purpose Trust Funds are used to account for interest earned on Distributive Funds. Under written agreement with individual school districts, interest earned on Distributive Funds is used for the benefit of Lee/Ogle Counties Regional Office of Education No. 47.

Agency Funds – Agency Funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The ROE reports the following agency funds:

Distributive – to account for cash received and disbursed as a result of the Regional 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.

Petitions – to account for monies received and disbursed by the Regional Superintendent as an agent for individuals petitioning to have their property placed in a different school district. Excess funds are returned to individuals upon resolution of their petitions.

D. Capital Assets

Capital assets used in governmental fund types are recorded in the government-wide financial statements at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All capital assets, which consist of office equipment and furniture, are being depreciated using the straight-line method over estimated useful lives of 5 – 7 years.

Capital assets in the governmental fund financial statements are reported as expenditures when incurred.

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting

The ROE did not adopt a formal budget nor is it legally required to do so for the year ended June 30, 2006; subsequently, the accompanying financial statements are not presented on a budgetary basis whereby budget and actual revenues and expenditures are compared; however, Illinois State Board of Education, a granting agent, requires budgets for certain program money. For the year ended June 30, 2006, a budgetary comparison schedule is presented for the following grant funds: ROE Operations, Illinois Family Violence Coordinating Council, Mathematics and Science Partnership, Title I – Reading First Part B SEA Funds, McKinney Education for Homeless Children, Learning Improvement Through Non-Traditional Curriculum (LINC), Paraprofessional Test Prep Course, Truants Alternative Education, Early Childhood Block Grant, Regional Safe Schools Program (RSSP) and ISBE Mathematics.

F. Intergovernmental Agreement

On August 17, 1998, Lee/Ogle Counties Regional Office of Education No. 47 entered into an Intergovernmental Agreement executed pursuant to the provisions of the Intergovernmental Cooperation Clause of the Illinois Constitution as well as the provisions of the Intergovernmental Cooperation Act of 1973 and Illinois Admin. Code Title 23 Section 525.110.

The name of the Intergovernmental Agreement is known as the Lee/Ogle/Whiteside Intergovernmental Agreement. Membership is made up of the following Regional Offices of Education: Whiteside County, Lee County and Ogle County. The Lee/Ogle ROE was designated as Administrative Agent.

The Whiteside County Regional Office of Education flows their State and federal funds for regional services to Lee/Ogle for administration and performance of accounting procedures that conform to all applicable rules and regulations of the Illinois State Board of Education.

The following programs were assigned to the Lee/Ogle/Whiteside Intergovernmental Agreement: Computer Technology, Staff Development, Title II, and clearing house for educational materials and research.

NOTE 2 – DEPOSITS

At June 30, 2006, the carrying amount of the Regional Office of Education No. 47's cash deposits was \$438,157 (\$341,931 governmental funds and \$96,226 fiduciary funds); and the bank balance was \$642,836 (\$558,242 governmental funds and \$84,594 fiduciary funds).

Of the total bank balance, \$107,432 was secured by federal depository insurance and \$535,404 was collateralized with securities held by the financial institution's trust department but not in Lee/Ogle Regional Office of Education No. 47's name. The ROE has no policy regarding custodial credit risk for deposits.

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3 – CAPITAL ASSETS

The ROE reported capital assets activity for the year ended June 30, 2006 as follows:

	<u>June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2006</u>
Cost:				
Equipment	<u>\$452,660</u>	<u>\$43,228</u>	<u>\$ 18,046</u>	<u>\$477,842</u>
Accumulated Depreciation:				
Equipment	<u>\$391,361</u>	<u>\$19,324</u>	<u>\$18,046</u>	<u>\$392,639</u>
Total Capital Assets, Net				
Equipment	<u>\$ 61,299</u>	<u>\$23,904</u>	<u>\$ 0</u>	<u>\$85,203</u>

Depreciation expense of \$19,324 was charged to governmental activities Instructional Services.

NOTE 4 – ILLINOIS MUNICIPAL RETIREMENT FUND

Employees are covered under the Illinois Municipal Retirement Fund. Contributions to the Fund are made by Lee/Ogle Counties and through grant monies on behalf of the Lee/Ogle Counties Regional Office of Education No. 47 staff employees and grant coordinators.

Lee and Ogle Counties are participating members of the Illinois Municipal Retirement Fund whose coverage includes all employees who:

- a. Occupy a job normally requiring 1,000 hours or more per year;
- b. Are paid on a regular payroll from County or Lee/Ogle Counties Regional Office of Education No. 47 funds;
- c. Were under age sixty when first entering employment; and
- d. Are not covered by another State created retirement system for the same service.

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

The Regional Superintendent and the Assistant Regional Superintendent of Lee/Ogle Counties Regional Office of Education No. 47 are paid by the State of Illinois. Certain staff employees of the office are employed and paid by Lee or Ogle Counties (other support staff and grant coordinators are paid through grant monies). Lee/Ogle Counties Regional Office of Education No. 47 has no separate employee benefit plan.

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 4 – ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

Plan Description

The defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a financial report that includes financial statements and required supplementary information. The report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by State statute. Lee/Ogle Counties Regional Office of Education No. 47 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2005 was 1.27% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2005 was 1 year.

For December 31, 2005, the ROE's **annual pension cost** of \$2,816 was equal to the ROE's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2005 actuarial valuation were based on the 2002-2004 experience study.

Trend Information

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/05	\$ 2,816	100%	\$-0-
12/31/04	\$17,737	100%	\$-0-
12/31/03	\$15,984	100%	\$-0-
12/31/02	\$20,448	100%	\$-0-
12/31/01	\$11,385	100%	\$-0-
12/31/00	\$15,899	100%	\$-0-
12/31/99	\$ 6,879	100%	\$-0-
12/31/98	\$ 5,513	100%	\$-0-
12/31/97	\$ 4,574	100%	\$-0-
12/31/96	\$ 3,012	100%	\$-0-

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5 – TEACHERS’ RETIREMENT SYSTEM

Plan Description and Employer Contributions

Lee/Ogle Counties Regional Office of Education No. 47 participates in the Teachers’ Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor’s approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system’s administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through 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 ROE THIS Fund contribution was 0.6 percent during the year and ended June 30, 2006, and the member THIS Fund health insurance contribution was 0.8 percent.

The State of Illinois makes contributions directly to TRS on behalf of the ROE’s TRS-covered employees.

• **On-behalf Contributions**

The State of Illinois makes employer pension contributions on behalf of Lee/Ogle Counties Regional Office of Education No. 47. For the year ended June 30, 2006, State of Illinois contributions were based on 7.06 percent of creditable earnings, and the ROE recognized revenue and expenditures of \$16,035 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 (\$31,133) and 13.98 percent (\$33,883), respectively.

The ROE 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 \$1,290. Contributions for the years ending June 30, 2005, and June 30, 2004 were \$1,535 and \$1,406 respectively.

• **Federal and Trust Fund Contributions**

When TRS members are paid from federal and trust funds administered by the Regional Office of Education No. 47, there is a statutory requirement for the ROE 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.

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5 – TEACHERS’ RETIREMENT SYSTEM (Continued)

Plan Description and Employer Contributions (Continued)

For the year ended June 30, 2006, the employer pension contribution was 7.06 percent of salaries paid from federal and state 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 \$83,885 were paid from federal and trust funds that required employer contributions of \$5,992. For the years ended June 30, 2005 and June 30, 2004, required ROE contributions were \$9,798 and \$4,672, respectively.

- **Early Retirement Option (ERO)**

Lee/Ogle Counties Regional Office of Education No. 47 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 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 ROE paid \$106.91 to TRS for employer contributions under the Pipeline ERO and Modified ERO programs. For the years ended June 30, 2005, and June 30, 2004, the ROE paid \$322.57 in employer ERO contributions.

Further Information

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.

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 6 –DISTRIBUTIVE FUND INTEREST DISPOSITION

Interest earned on distributive fund receipts is transferred to the Local Fund by the consent of all affected school boards and other entities. The funds are utilized by the Regional Superintendent to purchase computer equipment, develop inservice activities, and other innovative programs, as well as, assist with the necessary operating expenses of the Regional Office.

NOTE 7 – ON-BEHALF PAYMENTS

The following expenses necessary to operate the Office are included in the accompanying financial statements because they are paid by third parties as mandated by State law. Expenses paid are summarized below:

Regional Superintendent – salary	\$ 84,737
Regional Superintendent – benefits (includes State paid insurance)	19,939
Assistant Regional Superintendent – salary	76,263
Assistant Regional Superintendent – benefits (includes State paid insurance)	15,325
Employees - benefits	16,035
Lee County On-behalf	18,268
Ogle County On-behalf	31,727
	<u>\$ 262,294</u>

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education. Lee and Ogle County on-behalf payments were calculated based on data provided by the Lee and Ogle Counties.

NOTE 8 – DUE TO/FROM OTHER GOVERNMENTS

The Regional Office of Education No. 47's General Fund, Agency Fund and various grant programs have funds due to and due from various other governmental units which consist of the following:

Due from Other Governments:	
Illinois State Board of Education	\$25,054
Local School Districts	4,000
Illinois Department of Corrections	2,769
Total	<u>\$31,823</u>
Due to Other Governments:	
Local School Districts – Education Funds	\$10,844
Local School Districts – Fiduciary Funds	68,818
Total	<u>\$79,662</u>

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 9 - DEFICIT FUND BALANCES

The following Education Accounts had a deficit fund balance at June 30, 2006. The deficit fund balances are expected to be eliminated by transfers from other funds.

Learning Improvement Through Non-Traditional Curriculum	\$3,522
Balance and Restorative Justice	\$538

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

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
ILLINOIS MUNICIPAL RETIREMENT FUND – SCHEDULE OF FUNDING PROGRESS
(UNAUDITED)
JUNE 30, 2006

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/05	\$172,200	\$185,545	\$ 13,345	92.81%	\$221,761	6.02%
12/31/04	\$150,744	\$143,426	\$ (7,318)	105.10%	\$151,341	0.00%
12/31/03	\$128,423	\$113,188	\$(15,235)	113.46%	\$149,663	0.00%
12/31/02	\$108,790	\$121,984	\$ 13,194	89.18%	\$211,456	6.24%
12/31/01	\$ 78,529	\$ 91,730	\$ 13,201	85.61%	\$171,987	7.68%
12/31/00	\$ 56,435	\$ 75,454	\$ 19,019	74.79%	\$126,487	15.04%
12/31/99	\$ 32,087	\$ 30,210	\$ (1,877)	106.21%	\$ 57,909	0.00%
12/31/98	\$ 20,479	\$ 34,100	\$ 13,621	60.06%	\$ 50,259	27.10%
12/31/97	\$ 12,132	\$ 22,842	\$ 10,710	53.11%	\$ 45,699	23.44%
12/31/96	\$ 5,609	\$ 12,485	\$ 6,876	44.93%	\$ 36,782	18.69%

On a market value basis, the actuarial value of assets as of December 31, 2005 is \$173,637. On a market basis, the funded ratio would be 93.58%.

Digest of Changes

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

The principal changes were:

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

SUPPLEMENTARY INFORMATION

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
JUNE 30, 2006

	<u>ROE Operations</u>	<u>Local Fund</u>	<u>Total</u>
ASSETS			
Cash	\$0	\$205,563	\$205,563
Due from other governments	<u>0</u>	<u>4,000</u>	<u>4,000</u>
TOTAL ASSETS	<u><u>\$0</u></u>	<u><u>\$209,563</u></u>	<u><u>\$209,563</u></u>
LIABILITIES			
Accounts payable	\$0	\$1,327	\$1,327
Deferred revenue	<u>0</u>	<u>2,310</u>	<u>2,310</u>
TOTAL LIABILITIES	0	3,637	3,637
FUND BALANCE			
Fund balance - unreserved	<u>0</u>	<u>205,926</u>	<u>205,926</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$0</u></u>	<u><u>\$209,563</u></u>	<u><u>\$209,563</u></u>

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
COMBINING SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>ROE Operations</u>	<u>Local Fund</u>	<u>Totals</u>
REVENUES			
Local sources			
Intergovernmental	\$0	\$342,254	\$342,254
Interest	0	11,613	11,613
Total local sources	<u>0</u>	<u>353,867</u>	<u>353,867</u>
State sources	66,004	16,894	82,898
Federal sources	0	41,597	41,597
Total direct revenues	<u>66,004</u>	<u>412,358</u>	<u>478,362</u>
On-behalf payments	<u>262,294</u>	<u>0</u>	<u>262,294</u>
Total revenues	<u>328,298</u>	<u>412,358</u>	<u>740,656</u>
EXPENDITURES			
Salaries	54,160	23,936	78,096
Benefits	7,153	4,289	11,442
Professional and technical services	3,987	297,712	301,699
General supplies	704	25,691	26,395
Capital outlay	0	3,036	3,036
Payments to other governments	0	25,956	25,956
Other objects	<u>0</u>	<u>9,773</u>	<u>9,773</u>
Total direct expenditures	<u>66,004</u>	<u>390,393</u>	<u>456,397</u>
On-behalf payments	<u>262,294</u>	<u>0</u>	<u>262,294</u>
Total expenditures	<u>328,298</u>	<u>390,393</u>	<u>718,691</u>
EXCESS OF REVENUES OVER EXPENDITURES	0	21,965	21,965
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR	<u>0</u>	<u>183,961</u>	<u>183,961</u>
FUND BALANCE, UNRESERVED, END OF YEAR	<u>\$0</u>	<u>\$205,926</u>	<u>\$205,926</u>

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND ACCOUNTS - ROE OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>ROE Operations</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Interest	\$0	\$0	\$0
State sources			
ROE/ISC operations grant	<u>66,004</u>	<u>66,004</u>	<u>0</u>
Total direct revenues	<u>66,004</u>	<u>66,004</u>	<u>0</u>
On-behalf payments	<u>0</u>	<u>262,294</u>	<u>262,294</u>
Total revenues	<u>66,004</u>	<u>328,298</u>	<u>262,294</u>
EXPENDITURES			
Salaries	54,500	54,160	340
Benefits	7,900	7,153	747
Professional and technical services	3,104	3,987	(883)
General supplies	500	704	(204)
Capital outlay	0	0	0
Other objects	<u>0</u>	<u>0</u>	<u>0</u>
Total direct expenditures	<u>66,004</u>	<u>66,004</u>	<u>0</u>
On-behalf payments	<u>0</u>	<u>262,294</u>	<u>(262,294)</u>
Total expenditures	<u>66,004</u>	<u>328,298</u>	<u>(262,294)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u><u>\$0</u></u>	<u>0</u>	<u><u>\$0</u></u>
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR		<u>0</u>	
FUND BALANCE, UNRESERVED, END OF YEAR		<u><u>\$0</u></u>	

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2006

	<u>Illinois Family Violence Coordinating Council</u>	<u>Mathematics and Science Partnership</u>	<u>Title I Reading First Part B SEA Funds</u>	<u>McKinney Education for Homeless Children</u>	<u>Learning Improvement Through Non- Traditional Curriculum (LINC)</u>	<u>Paraprofessional Test Prep Course</u>	<u>Truants Alternative Education</u>
ASSETS							
Cash	\$2,522	\$30,630	\$0	(\$23,457)	(\$2,297)	\$0	\$0
Due from other governments	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,457</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total assets	<u><u>\$2,522</u></u>	<u><u>\$30,630</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>(\$2,297)</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts payable	\$377	\$1,395	\$0	\$0	\$1,225	\$0	\$0
Due to other governments	0	0	0	0	0	0	0
Deferred revenue	<u>2,145</u>	<u>29,235</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	2,522	30,630	0	0	1,225	0	0
FUND BALANCE							
Fund balance - unreserved	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,522)</u>	<u>0</u>	<u>0</u>
Total liabilities and fund balance	<u><u>\$2,522</u></u>	<u><u>\$30,630</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>(\$2,297)</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2006

	<u>Connect</u>	<u>ISBE/ Mathematics</u>	<u>Early Childhood Block Grant</u>	<u>BARJ</u>	<u>Regional Safe Schools Program</u>	<u>Regional Safe Schools Program - General State Aid (RSSP-GSA)</u>	<u>Total</u>
ASSETS							
Cash	\$0	\$0	(\$1,597)	(\$538)	\$0	\$34,023	\$39,286
Due from other governments	<u>0</u>	<u>0</u>	<u>1,597</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,054</u>
Total assets	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>(\$538)</u></u>	<u><u>\$0</u></u>	<u><u>\$34,023</u></u>	<u><u>\$64,340</u></u>
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts payable	\$0	\$0	\$0	\$0	\$0	\$0	\$2,997
Due to other governments	0	0	0	0	0	10,844	10,844
Deferred revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,179</u>	<u>54,559</u>
Total liabilities	0	0	0	0	0	34,023	68,400
FUND BALANCE							
Fund balance - unreserved	<u>0</u>	<u>0</u>	<u>0</u>	<u>(538)</u>	<u>0</u>	<u>0</u>	<u>(4,060)</u>
Total liabilities and fund balance	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>(\$538)</u></u>	<u><u>\$0</u></u>	<u><u>\$34,023</u></u>	<u><u>\$64,340</u></u>

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Illinois Family Violence Coordinating Council</u>	<u>Mathematics and Science Partnership</u>	<u>Title I Reading First Part B SEA Funds</u>	<u>McKinney Education for Homeless Children</u>	<u>Learning Improvement Through Non- Traditional Curriculum (LINC)</u>	<u>Paraprofessional Test Prep Course</u>	<u>Truants Alternative Education</u>
REVENUES							
Local sources							
Intergovernmental	\$0	\$0	\$0	\$0	\$0	\$0	\$0
State sources	19,200	0	0	0	0	0	152,199
Federal sources	0	341,044	11,025	316,971	26,040	36,997	0
Total revenues	<u>19,200</u>	<u>341,044</u>	<u>11,025</u>	<u>316,971</u>	<u>26,040</u>	<u>36,997</u>	<u>152,199</u>
EXPENDITURES							
Salaries	16,365	76,463	0	87,360	21,260	0	94,672
Benefits	1,287	11,215	0	10,981	1,484	0	13,263
Professional and technical services	1,199	200,066	9,659	20,520	6,455	35,232	41,689
General supplies	211	38,286	1,366	3,459	542	1,765	2,575
Capital outlay	138	15,014	0	2,151	0	0	0
Payments to other governments	0	0	0	192,500	0	0	0
Total expenditures	<u>19,200</u>	<u>341,044</u>	<u>11,025</u>	<u>316,971</u>	<u>29,741</u>	<u>36,997</u>	<u>152,199</u>
EXCESS OF REVENUES OVER EXPENDITURES	0	0	0	0	(3,701)	0	0
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>179</u>	<u>0</u>	<u>0</u>
FUND BALANCE, UNRESERVED, END OF YEAR	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$3,522)</u>	<u>\$0</u>	<u>\$0</u>

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Connect</u>	<u>ISBE/ Mathematics</u>	<u>Early Childhood Block Grant</u>	<u>Balance and Restorative Justice</u>	<u>Regional Safe Schools Program</u>	<u>Regional Safe Schools Program - General State Aid (RSSP-GSA)</u>	<u>Total</u>
REVENUES							
Local sources							
Intergovernmental	\$712	\$0	\$0	\$3,333	\$0	\$0	\$4,045
State sources	0	153	31,221	0	155,718	165,410	523,901
Federal sources	0	0	0	0	0	0	732,077
Total revenues	<u>712</u>	<u>153</u>	<u>31,221</u>	<u>3,333</u>	<u>155,718</u>	<u>165,410</u>	<u>1,260,023</u>
EXPENDITURES							
Salaries	0	0	24,436	3,455	0	64,111	388,122
Benefits	0	0	3,286	487	0	9,775	51,778
Professional and technical services	0	0	3,247	(71)	0	3,460	321,456
General supplies	0	153	252	0	0	1,313	49,922
Capital outlay	0	0	0	0	0	0	17,303
Payments to other governments	0	0	0	0	155,718	86,751	434,969
Total expenditures	<u>0</u>	<u>153</u>	<u>31,221</u>	<u>3,871</u>	<u>155,718</u>	<u>165,410</u>	<u>1,263,550</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	712	0	0	(538)	0	0	(3,527)
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR	<u>(712)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(533)</u>
FUND BALANCE, UNRESERVED, END OF YEAR	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$538)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$4,060)</u>

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
BUDGETARY COMPARISON SCHEDULES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Illinois Family Violence Coordinating Council</u>			<u>Mathematics and Science Partnership</u>			<u>Title I - Reading First Part B SEA Funds</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES									
Local sources									
Intergovernmental	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	0	0	0	0	0	0	0	0	0
Total local sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
State sources	19,500	19,200	(300)	0	0	0	0	0	0
Federal sources	0	0	0	634,724	341,044	(293,680)	26,960	11,025	(15,935)
Total revenues	<u>19,500</u>	<u>19,200</u>	<u>(300)</u>	<u>634,724</u>	<u>341,044</u>	<u>(293,680)</u>	<u>26,960</u>	<u>11,025</u>	<u>(15,935)</u>
EXPENDITURES									
Salaries	15,540	16,365	(825)	147,000	76,463	70,537	0	0	0
Benefits	1,500	1,287	213	27,600	11,215	16,385	0	0	0
Professional and technical services	1,660	1,199	461	321,197	200,066	121,131	23,800	9,659	14,141
General supplies	800	211	589	61,927	38,286	23,641	3,160	1,366	1,794
Capital outlay	0	138	(138)	33,000	15,014	17,986	0	0	0
Payments to other governments	0	0	0	44,000	0	44,000	0	0	0
Total expenditures	<u>19,500</u>	<u>19,200</u>	<u>300</u>	<u>634,724</u>	<u>341,044</u>	<u>293,680</u>	<u>26,960</u>	<u>11,025</u>	<u>15,935</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES									
	<u>\$0</u>	0	<u>\$0</u>	<u>\$0</u>	0	<u>\$0</u>	<u>\$0</u>	0	<u>\$0</u>
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR									
		<u>0</u>			<u>0</u>			<u>0</u>	
FUND BALANCE, UNRESERVED, END OF YEAR									
		<u>\$0</u>			<u>\$0</u>			<u>\$0</u>	

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
BUDGETARY COMPARISON SCHEDULES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>McKinney Education For Homeless Children</u>			<u>Learning Improvement Through Non-Traditional Curriculum (LINC)</u>			<u>Paraprofessional Test Prep Course</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES									
Local sources									
Intergovernmental	\$0	\$0	\$0	\$39,020	\$0	(\$39,020)	\$0	\$0	\$0
Interest	0	0	0	0	0	0	0	0	0
Total local sources	0	0	0	39,020	0	(39,020)	0	0	0
State sources	0	0	0	0	0	0	0	0	0
Federal sources	316,971	316,971	0	0	26,040	26,040	36,800	36,997	197
Total revenues	<u>316,971</u>	<u>316,971</u>	<u>0</u>	<u>39,020</u>	<u>26,040</u>	<u>(12,980)</u>	<u>36,800</u>	<u>36,997</u>	<u>197</u>
EXPENDITURES									
Salaries	82,000	87,360	(5,360)	25,360	21,260	4,100	0	0	0
Benefits	11,771	10,981	790	5,852	1,484	4,368	0	0	0
Professional and technical services	20,200	20,520	(320)	7,525	6,455	1,070	35,350	35,232	118
General supplies	7,000	3,459	3,541	283	542	(259)	1,450	1,765	(315)
Capital outlay	3,500	2,151	1,349	0	0	0	0	0	0
Payments to other governments	192,500	192,500	0	0	0	0	0	0	0
Total expenditures	<u>316,971</u>	<u>316,971</u>	<u>0</u>	<u>39,020</u>	<u>29,741</u>	<u>9,279</u>	<u>36,800</u>	<u>36,997</u>	<u>(197)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$0</u>	0	<u>\$0</u>	<u>\$0</u>	(3,701)	<u>(\$3,701)</u>	<u>\$0</u>	0	<u>\$0</u>
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR		<u>0</u>			<u>179</u>			<u>0</u>	
FUND BALANCE, UNRESERVED, END OF YEAR		<u>\$0</u>			<u>(\$3,522)</u>			<u>\$0</u>	

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
BUDGETARY COMPARISON SCHEDULES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Truants Alternative Education</u>			<u>Early Childhood Block Grant</u>			<u>Regional Safe Schools Program</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES									
Local sources									
Intergovernmental	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	0	0	0	0	0	0	0	0	0
Total local sources	0	0	0	0	0	0	0	0	0
State sources	152,199	152,199	0	31,221	31,221	0	155,718	155,718	0
Federal sources	0	0	0	0	0	0	0	0	0
Total revenues	<u>152,199</u>	<u>152,199</u>	<u>0</u>	<u>31,221</u>	<u>31,221</u>	<u>0</u>	<u>155,718</u>	<u>155,718</u>	<u>0</u>
EXPENDITURES									
Salaries	97,600	94,672	2,928	23,071	24,436	(1,365)	0	0	0
Benefits	13,500	13,263	237	3,068	3,286	(218)	0	0	0
Professional and technical services	38,360	41,689	(3,329)	3,209	3,247	(38)	0	0	0
General supplies	2,739	2,575	164	1,873	252	1,621	0	0	0
Capital outlay	0	0	0	0	0	0	0	0	0
Payments to other governments	0	0	0	0	0	0	155,718	155,718	0
Total expenditures	<u>152,199</u>	<u>152,199</u>	<u>0</u>	<u>31,221</u>	<u>31,221</u>	<u>0</u>	<u>155,718</u>	<u>155,718</u>	<u>0</u>
EXCESS (DEFICIENCY) OF									
 REVENUES OVER (UNDER)									
 EXPENDITURES									
	<u>\$0</u>	0	<u>\$0</u>	<u>\$0</u>	0	<u>\$0</u>	<u>\$0</u>	0	<u>\$0</u>
FUND BALANCE, UNRESERVED,									
 BEGINNING OF YEAR									
		<u>0</u>			<u>0</u>			<u>0</u>	
FUND BALANCE, UNRESERVED,									
 END OF YEAR									
		<u>\$0</u>			<u>\$0</u>			<u>\$0</u>	

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
BUDGETARY COMPARISON SCHEDULES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>ISBE/Mathematics</u>			<u>Total</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES						
Local sources						
Intergovernmental	\$0	\$0	\$0	\$39,020	\$0	(\$39,020)
Interest	0	0	0	0	0	0
Total local sources	0	0	0	39,020	0	(39,020)
State sources	4,094	153	(3,941)	362,732	358,491	(4,241)
Federal sources	0	0	0	1,015,455	732,077	(283,378)
Total revenues	<u>4,094</u>	<u>153</u>	<u>(3,941)</u>	<u>1,417,207</u>	<u>1,090,568</u>	<u>(326,639)</u>
EXPENDITURES						
Salaries	0	0	0	390,571	320,556	70,015
Benefits	0	0	0	63,291	41,516	21,775
Professional and technical services	3,019	0	3,019	454,320	318,067	136,253
General supplies	1,075	153	922	80,307	48,609	31,698
Capital outlay	0	0	0	36,500	17,303	19,197
Payments to other governments	0	0	0	392,218	348,218	44,000
Total expenditures	<u>4,094</u>	<u>153</u>	<u>3,941</u>	<u>1,417,207</u>	<u>1,094,269</u>	<u>322,938</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$0</u>	0	<u>\$0</u>	<u>\$0</u>	(3,701)	<u>(\$3,701)</u>
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR		<u>0</u>			<u>179</u>	
FUND BALANCE, UNRESERVED, END OF YEAR		<u>\$0</u>			<u>(\$3,522)</u>	

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2006

	Bus Driver Fund	GED Fund	Supervisory Expense	Film Coop	Total
ASSETS					
Cash	\$3,572	(\$376)	\$0	\$5,425	\$8,621
Due from Other Governments	0	2,769	0	0	2,769
TOTAL ASSETS	\$3,572	\$2,393	\$0	\$5,425	\$11,390
LIABILITIES					
Accounts Payable	\$0	\$0	\$0	\$0	\$0
FUND BALANCE					
Fund balance, unreserved	3,572	2,393	0	5,425	11,390
TOTAL LIABILITIES AND FUND BALANCE	\$3,572	\$2,393	\$0	\$5,425	\$11,390

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Bus Driver Fund</u>	<u>GED Fund</u>	<u>Supervisory Expense</u>	<u>Film Coop</u>	<u>Total</u>
REVENUES					
Local sources					
Intergovernmental	\$0	\$0	\$0	\$0	\$0
Services	1,228	24,445	0	4,653	30,326
Interest	0	0	0	0	0
Total local revenues	<u>1,228</u>	<u>24,445</u>	<u>0</u>	<u>4,653</u>	<u>30,326</u>
State sources	600	0	2,000	0	2,600
Federal sources	0	0	0	0	0
Total revenues	<u>1,828</u>	<u>24,445</u>	<u>2,000</u>	<u>4,653</u>	<u>32,926</u>
EXPENDITURES					
Salaries	0	4,165	0	1,424	5,589
Benefits	0	619	0	200	819
Professional and technical services	1,937	12,391	752	5,511	20,591
General supplies	769	2,452	1,248	889	5,358
Capital outlay	0	0	0	0	0
Payments to other governments	0	0	0	0	0
Total expenditures	<u>2,706</u>	<u>19,627</u>	<u>2,000</u>	<u>8,024</u>	<u>32,357</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(878)	4,818	0	(3,371)	569
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR	<u>4,450</u>	<u>(2,425)</u>	<u>0</u>	<u>8,796</u>	<u>10,821</u>
FUND BALANCE, UNRESERVED, END OF YEAR	<u><u>\$3,572</u></u>	<u><u>\$2,393</u></u>	<u><u>\$0</u></u>	<u><u>\$5,425</u></u>	<u><u>\$11,390</u></u>

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2006

	<u>Distributive Fund</u>	<u>Petitions Fund</u>	<u>Total</u>
ASSETS			
Cash	<u>\$44</u>	<u>\$68,774</u>	<u>\$68,818</u>
 LIABILITIES			
Due to other governmental agencies	<u>\$44</u>	<u>\$68,774</u>	<u>\$68,818</u>

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2006</u>
<u>DISTRIBUTIVE FUND</u>				
ASSETS				
Cash	<u>\$31</u>	<u>\$13</u>	<u>\$0</u>	<u>\$44</u>
LIABILITIES				
Due to other governmental agencies	<u>\$31</u>	<u>\$13</u>	<u>\$0</u>	<u>\$44</u>
 <u>PETITIONS FUND</u>				
ASSETS				
Cash	<u>\$0</u>	<u>\$68,774</u>	<u>\$0</u>	<u>\$68,774</u>
LIABILITIES				
Due to other governmental agencies	<u>\$0</u>	<u>\$68,774</u>	<u>\$0</u>	<u>\$68,774</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
ASSETS				
Cash	<u>\$31</u>	<u>\$68,787</u>	<u>\$0</u>	<u>\$68,818</u>
LIABILITIES				
Due to other governmental agencies	<u>\$31</u>	<u>\$68,787</u>	<u>\$0</u>	<u>\$68,818</u>

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/Pass-Through Grantor, Program Title and Major Program Designation</u>	<u>CFDA Number</u>	<u>Project Number (1st 8 digits) or Contract #</u>	<u>07/01/05 06/30/06</u>
U.S. Department of Labor passed through Business Employment Skills Team			
<i>Workforce Investment Act (WIA) Youth Activities</i>	17.259	06-local	\$ 26,040
U.S. Department of Education passed through Illinois State Board of Education (ISBE):			
<i>Mathematics and Science Partnership</i>	84.366	05-4936-00	40,886
<i>Mathematics and Science Partnership</i>	84.366	05-4936-01	82,089
<i>Mathematics and Science Partnership</i>	84.366	06-4936-01	218,069
			<u>341,044</u>
<i>Title I - Reading First Part B SEA Funds</i>	84.357A	05-4337-02	11,025
<i>McKinney Education for Homeless Children (M)</i>	84.196	06-4920-00	316,971
U.S. Department of Education passed through Illinois Community College Board (ICCB):			
<i>Paraprofessional Test Prep Course</i>	84.367A	05-4994-00	1,292
<i>Paraprofessional Test Prep Course</i>	84.367A	06-4994-00	35,705
			<u>36,997</u>
U.S. Department of Education			
<i>Rural Education Assistance Program</i>	84.358A	05-4999-00	4,592
<i>Rural Education Assistance Program</i>	84.358A	06-4999-00	20,000
			<u>24,592</u>
Other Federal Grants			
Passed through Boone-Winnebago Counties - Regional Office of Education No. 4			
<i>Standards Aligned Classroom</i>	84.289A	06-local	9,690
<i>Title II - Teacher Quality Leadership Grant</i>	84.367A	06-local	7,315
			<u>17,005</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE:			<u><u>\$ 773,674</u></u>

(M) Program was audited as a major program

The accompanying notes are an integral part of this schedule.

**LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lee/Ogle Counties Regional Office of Education No. 47 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

Of the federal expenditures presented in the schedule, Lee/Ogle Counties Regional Office of Education No. 47 provided \$217,092 to sub-recipients during fiscal year ended June 30, 2006 as follows:

To: Ogle County Education Cooperative (OCEC):			
84.358A	2006-4999-00	Rural Education Assistance Program	20,000
84.358A	2005-4999-00	Rural Education Assistance Program	4,592
To: Henry and Stark Counties Regional Office of Education No. 28:			
84.196	2006-4920-00	McKinney Education for Homeless Children	20,900
To: LaSalle County Regional Office of Education No. 35:			
84.196	2006-4920-00	McKinney Education for Homeless Children	53,500
To: Rock Island County Regional Office of Education No. 49:			
84.196	2006-4920-00	McKinney Education for Homeless Children	51,500
To: Rockford Public School District No. 205:			
84.196	2006-4920-00	McKinney Education for Homeless Children	66,600

NOTE 3 – DESCRIPTION OF MAJOR FEDERAL PROGRAMS

The following federal program was audited as a major program in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

McKinney Education for Homeless Children: This program aims to

- Increase community awareness concerning issues of homelessness.
- Increase training opportunities for school personnel about legal right of homeless children/youth by providing updates on the McKinney-Vento Homeless Assistance Act and other related laws.
- Improve academic achievement levels of homeless students.
- Increase parent participation in meeting the educational, physical and emotional needs of their children through the collaboration of service delivery between school and community agencies.
- Educate school districts for sustainability of meeting the needs of homelessness students.

NOTE 4 – NONCASH ASSISTANCE

-N/A-

LEE/OGLE COUNTIES REGIONAL OFFICE OF EDUCATION No. 47
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

NOTE 5 – AMOUNT OF INSURANCE

-N/A-

NOTE 6 – LOAN OR LOAN GUARANTEES OUTSTANDING

-N/A-