

**STATE OF ILLINOIS
FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21**

**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**

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REGIONAL OFFICE OF EDUCATION NO. 21
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FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21

OFFICIALS

Regional Superintendent	Dr. Ronda Baker (June 1, 2006 – present)
Regional Superintendent	Mr. Barry Kohl (During audit period – May 31, 2006)
Assistant Regional Superintendent	Mr. Paul Oldani (August 1, 2006 – present)
Assistant Regional Superintendent	Mr. O.J. Thompson (March 1, 2004 – June 30, 2005 January 1, 2006 – June 1, 2006)
Assistant Regional Superintendent	Mr. Pete Truran (July 1, 2005 – December 31, 2005)

Offices are located at:

202 West Main Street
Benton, IL 62812

206 Rushing Drive, Suite 1
Herrin, IL 62948

Franklin/Williamson Project ECHO
900 Washington
Johnston City, IL 62951

S.T.A.R. Quest Academy
410 West 5th
Benton, IL 62812

FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21

COMPLIANCE REPORT

SUMMARY

The compliance 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 nonstandard language. However, the report contains an emphasis of matter paragraph due to contingent liabilities.

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	9	8
Repeated audit findings	6	6
Prior recommendations implemented or not repeated	2	2

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

FINDINGS (*GOVERNMENT AUDITING STANDARDS*)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
06-01	13	Lack of adequate documentation to support pay rate increases and formal employee evaluations
06-02	16	Unallowable expenditures
06-03	18	Lack of internal controls over payroll
06-04	19	Unallowable cell phone charges
06-05	20	Improper allocation of costs
06-06	22	Controls over compliance with laws and regulations
06-07	29	Questionable employee reimbursements
06-08	31	Failure to allocate interest earned
06-09	34	ROE employee received outside compensation

FINDINGS AND QUESTIONED COSTS (*FEDERAL COMPLIANCE*)

06-01	13	Lack of adequate documentation to support pay rate increases and formal employee evaluations
06-05	20	Improper allocation of costs
06-08	31	Failure to allocate interest earned

FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21

PRIOR FINDINGS NOT REPEATED
(*GOVERNMENT AUDITING STANDARDS*)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
05-03	46	Lack of supporting documentation
05-07	46	Lack of and/or inconsistencies in payment authorizations

PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

None.

FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21

EXIT CONFERENCE

The Regional Office of Education No. 21 opted not to have a formal exit conference during the financial audit for the year ended June 30, 2006. Responses to the recommendations were provided by Dr. Ronda Baker, Regional Superintendent on May 2, 2007 and were discussed with agency management in a teleconference to finalize the audit report on May 17, 2007.

FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21

FINANCIAL STATEMENT REPORT
SUMMARY

The audit of the accompanying basic financial statements of the Franklin/Williamson Counties Regional Office of Education No. 21 was performed by Sikich LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Franklin/Williamson Counties Regional Office of Education No. 21's basic financial statements. Their report, however, contains an emphasis of matter paragraph due to contingent liabilities created by possible violation of restrictive provisions of grants.



INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin/Williamson Counties Regional Office of Education No. 21, as of and for the year ended June 30, 2006, which collectively comprise the Franklin/Williamson Counties Regional Office of Education No. 21's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Regional Office of Education No. 21's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin/Williamson Counties Regional Office of Education No. 21, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the financial statements, the Franklin/Williamson Counties Regional Office of Education No. 21 has expended funds in a manner that may have violated certain restrictive provisions of certain grants. The possible outcome of these matters, which have been reported to appropriate government officials, is uncertain at this time. Accordingly, no provision for any liability has been made in the basic financial statements for possible government claims

for refunds of those State or Federal grant monies. In addition, the former Regional Superintendent of Schools and several other employees have been indicted by a State of Illinois grand jury on August 19, 2004. The indictments include alleged theft, forgery, official misconduct, perjury, and conspiracy.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 13, 2006 on our consideration of the Franklin/Williamson Counties Regional Office of Education No. 21'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 47 through 53 and 88 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Franklin/Williamson Counties Regional Office of Education No. 21's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Disbursements to School District Treasurers and Others are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Others, 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.

Sikeich LLP

Springfield, Illinois
October 13, 2006



**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin/Williamson Counties Regional Office of Education No. 21, as of and for the year ended June 30, 2006, which collectively comprise the Franklin/Williamson Counties Regional Office of Education No. 21's basic financial statements and have issued our report thereon dated October 13, 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 Franklin/Williamson Counties Regional Office of Education No. 21'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 internal control over financial reporting that, in our judgment, could adversely affect the Franklin/Williamson Counties Regional Office of Education No. 21'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, 06-04, 06-05, 06-07, and 06-08.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 06-05 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Franklin/Williamson Counties Regional Office of Education No. 21'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 certain immaterial instances of noncompliance which we reported on the accompanying Schedule of Findings and Questioned Costs as items 06-01, 06-02, 06-03, 06-04, 06-06, 06-07, 06-08 and 06-09.

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

Sikeich LLP

Springfield, Illinois
October 13, 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 Franklin/Williamson Counties Regional Office of Education No. 21 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 Franklin/Williamson Counties Regional Office of Education No. 21'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 Franklin/Williamson Counties Regional Office of Education No. 21's management. Our responsibility is to express an opinion on the Franklin/Williamson Counties Regional Office of Education No. 21'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 Franklin/Williamson Counties Regional Office of Education No. 21'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 Franklin/Williamson Counties Regional Office of Education No. 21's compliance with those requirements.

In our opinion, the Franklin/Williamson Counties Regional Office of Education No. 21 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. However, the results of our

auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 06-05 and 06-08.

Internal Control Over Compliance

The management of the Franklin/Williamson Counties Regional Office of Education No. 21 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 Franklin/Williamson Counties Regional Office of Education No. 21'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.

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the Franklin/Williamson Counties Regional Office of Education No. 21's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06-01, 06-05, and 06-08.

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 the 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. Our consideration of the internal control over compliance 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.

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

Sikich LLP

Springfield, Illinois
October 13, 2006

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: *unqualified*

Internal control over financial reporting:
 Material weakness(es) identified? yes no
 Reportable condition(s) identified that are not
 considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? yes no
 Reportable condition(s) identified that are not
 considered to be material weaknesses? yes no

Type of auditor’s report issued on compliance
 for major programs: *unqualified*

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.287C	21 st Century Community Learning Centers
84.318X	Technology – Enhancing Education – Competitive

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

Auditee qualified as low-risk auditee? yes no

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING 06-01– Lack of adequate documentation to support pay rate increases and formal employee evaluations (Partial repeat of prior year finding: FS 05-01, FS 04-01, FS 03-03 and FS 02-6)

Federal Program Name : Technology - Enhancing Education – Competitive

Project Number: 05-4972-01

CFDA Number: 84.318X

Passed Through: Illinois State Board of Education

Federal Agency: Dept. of Education

CRITERIA/SPECIFIC REQUIREMENT:

The Regional Office of Education (ROE) Accounting Manual general policies concerning payroll procedures state that a master record should be maintained on each employee or contractor for federal and State reporting purposes. The master payroll record should contain at least the following: employee name, social security number, address, date of hire, rate and terms of contract/agreement. In addition, it is good business practice to conduct and document formal job evaluations at least on an annual basis. Any employee compensation adjustments should be documented and maintained in employee personnel files.

CONDITION:

The ROE made seven non-routine/bonus payments from July through December 2005 which totaled \$11,200. There were six \$1,000 payments made to the Program Director of several of the ROE grants. The other payment for \$5,200 was made to a faculty member for Project ECHO (Alternative School). While these payments were supported by a signed Payroll Authorization form, no explanation was provided for the employees' pay increases.

In addition, the former Regional Superintendent and former Assistant Regional Superintendent did not complete employee evaluations. Program directors completed self-evaluations; however, these were simply signed by the former Assistant Regional Superintendent and placed in the employees' personnel files. ROE personnel indicated that no evaluations were given to them, formally discussed with them, or signed by them.

QUESTIONED COSTS:

N/A

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING 06-01 – CONTINUED

CONTEXT:

N/A

EFFECT:

Employee compensation is not supported by approved documentation which may result in incorrect compensation for services provided. By not reviewing the employee evaluation with the applicable employee, employees are not given feedback on their job performance.

CAUSE:

The ROE has insufficient controls over pay rate authorizations and employee evaluations.

RECOMMENDATION:

The ROE should maintain documentation for employees that establishes a pay rate commensurate with the responsibilities assigned. Pay rate authorization forms should be completed as required by ROE policy. In addition, formal job evaluations should be performed and reviewed with employees and signed by the employees.

MANAGEMENT'S RESPONSE:

We agree with the audit finding. Bonus payments are no longer made. All employees have a contract which specifies work assignment, compensation, and duration of assignment. A salary schedule has been implemented for all teaching faculty which covers faculty at ECHO, Detention Center, and Star Quest. Every job has been reviewed by the administration. New job descriptions have been completed on every position. Job descriptions have been signed by both the employee and administration. Salaries have been adjusted, up and down, in many cases to reflect appropriate compensation for respective job assignments. Appropriate documentation is now maintained in personnel records relative to job assignment and salary. Any work performed by employees which is above and beyond the basic contract is now specified in a supplemental contract which specifically outlines the additional duties and compensation.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING 06-01 – CONTINUED

MANAGEMENT’S RESPONSE: - Continued

Every employee has been formally evaluated by appropriate supervisory staff. These evaluations have been signed by the supervisor and employee and are on file with personnel records. New personnel policies have been adopted. Earned vacation and sick leave days have been determined for every employee.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING 06-02 – Unallowable expenditures (Repeat of prior year finding: FS 05-02, FS 04-02, FS 03-04 and FS 02-7)

CRITERIA/SPECIFIC REQUIREMENT:

ROE funds should not be used for personal expenditures unrelated to the operation of the ROE.

CONDITION: (AS REPORTED IN THE PRIOR YEAR)

The former Regional Superintendent submitted travel vouchers for mileage and meal expenses for himself and other employees that were reimbursed by the ROE that have been alleged to be materially false in indictments released on August 19, 2004. The former Regional Superintendent and three ROE employees have been indicted for allegations ranging from theft and forgery to official misconduct, conspiracy, and/or perjury. One of the four cases has been settled. As of June 30, 2006, legal proceedings related to the remaining three indictments were still continuing.

The former Regional Superintendent did reimburse the ROE \$2,625.70 during fiscal year 2004 for some personal expenditures incurred, but it is unclear which specific charges were reimbursed or whether any of these reimbursements related to matters that were the subject of the indictments.

CURRENT YEAR STATUS:

These issues noted in the prior audit remain in question as no trial or settlement has occurred as of our report date.

EFFECT:

Using ROE funds for personal purposes is an inappropriate use of public funds and overstates Regional Office operating expenses.

CAUSE:

The ROE lacks adequate internal controls to ensure that personal expenses are not paid by the ROE, but rather paid by the employee. The former Regional Superintendent stated that personal expenses not reimbursed were an oversight.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING 06-02 – CONTINUED

RECOMMENDATION:

We recommend the ROE establish and follow a policy that prohibits personal expenditures from being paid with ROE funds. Internal controls should be established to ensure that personal expenses are not paid by the Regional Office. We also recommend the former Regional Superintendent reimburse the ROE for all personal expenses paid by the Regional Office that have not been previously reimbursed.

MANAGEMENT’S RESPONSE:

We agree with the finding. Personnel and financial policies have been revised to prevent future payment of personal expenditures. Internal controls have now been established which require appropriate documentation, supportive documents, and proper authorization forms before payment can be made. Requests for payment are now reviewed by the appropriate program director, bookkeeping, and the superintendent before a check is issued. These new procedures have been reviewed at Director’s meetings on several occasions to insure that all staff are aware and familiar with the new procedures.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING 06-03 – Lack of internal controls over payroll

CRITERIA/SPECIFIC REQUIREMENT:

Generally, federal tax rules define an employee as an individual who performs services subject to control by an employer both as to what services shall be performed and as to how they shall be performed. Sound business practice requires that employees only be compensated for services provided and/or accumulated and available sick and vacation time.

CONDITION:

The former Regional Superintendent's wife, a former ROE employee, received compensation for 124 days in which she was absent from work and there was no documentation that services were performed. Additionally, the employee had no vacation or sick time earned or accumulated. Regional Office officials indicated that the Superintendent's wife was not on any authorized paid leave. The total amount paid to the employee during this period was \$25,411.

EFFECT:

Using ROE funds to pay employees for services not performed is an inappropriate use of public funds and overstates ROE operating expenses.

CAUSE:

The ROE has insufficient internal controls regarding payroll.

RECOMMENDATION:

We recommend the ROE explore its options to obtain reimbursement of these funds and only compensate employees for services performed for the ROE or for earned and available vacation or sick time.

MANAGEMENT'S RESPONSE:

We agree with the audit finding. Under the new administration, this employee no longer works for the ROE. Under new policies and procedures which have now been established and with new administration, this situation cannot occur in the future.

This recommendation has been forwarded to the Attorney General's Office and the States Attorney's Office for consideration of recovery of these funds.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING 06-04 – Unallowable cell phone charges (Repeat of prior year finding: FS 05-04)

CRITERIA/SPECIFIC REQUIREMENT:

Cell phone charges should only be reimbursed for legitimate business activities incurred by ROE employees.

CONDITION:

The former Regional Superintendent submitted monthly cell phone bills which included a number of questionable expenditures. These questionable expenditures included service fees for phone lines not used by ROE employees for 2 1/2 months, ring-tone download charges (4 instances), multimedia packages (24 instances), and late fees (4 instances). The questionable cell phone expenditures during FY06 totaled \$383.12.

EFFECT:

Using ROE funds for personal purposes is an inappropriate use of public funds and overstates Regional Office operating expenses.

CAUSE:

The ROE has insufficient internal controls regarding cell phone expenditures.

RECOMMENDATION:

We recommend the ROE establish and follow a policy that prohibits personal expenditures from being paid with ROE funds. Internal controls should be established to ensure that personal expenses are not paid by the Regional Office. Finally, we recommend the former Regional Superintendent reimburse the ROE for all personal expenses paid by the Regional Office for personal cell phone use.

MANAGEMENT'S RESPONSE:

We agree with the audit finding. Policies and procedures have now been implemented which prevent this situation from occurring in the future. Cell phones which were being used for questionable purposes were taken out of service immediately by the new administration.

This recommendation has been forwarded to the Attorney General's Office and the States Attorney's Office for consideration of recovery of these funds.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING 06-05 – Improper allocation of costs (Repeat of prior year findings: FS 05-05, 04-05, FS 03-10, FS 02-16, FS 01-4, FS 00-5, FA 01-2, FA 00-2)

Federal Program Name: (a) 21st Century Community Learning Centers (b) Technology - Enhancing Education – Competitive

Project Number: (a) 06-4421-05 (b) 06-4971-00, 06-4972-01, 05-4972-00, and 05-4972-01

CFDA Number: (a) 84.287C (b) 84.318X

Passed Through: (a) Illinois State Board of Education (b) Illinois State Board of Education and Herrin Community Unit School District No.4

Federal Agency: (a) Dept. of Education (b) Dept. of Education

CRITERIA/SPECIFIC REQUIREMENT:

Grants, cost reimbursement contracts, and other agreements with the Federal Government (collectively known as Federal Awards) should bear their fair share of costs recognized under principles established by the Office of Management and Budget (OMB). Costs are allocable to Federal Awards if the goods or services involved are chargeable or assignable to the award in accordance with the relative benefits received. Where an accumulation of indirect costs will ultimately result in charges to a Federal Award, a cost allocation plan or approved indirect cost rate is required as described in Attachments C, D and E of OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*.

CONDITION:

The ROE has not implemented a cost allocation plan or an approved indirect cost rate to allocate indirect costs in accordance with OMB Circular A-87. The ROE invoices the various grants and programs it administers for central service activities, including support salaries and related benefits, accounting and secretarial services, and space rent based on the grants' budgeted costs (rather than as part of a Cost Allocation Plan). Such salaries and benefits are allowable expenditures under OMB Circular A-87. However, where employees work on multiple activities or cost objectives, a distribution of their salaries or wages is required to be documented in accordance with the provisions of OMB Circular A-87 or be included in the ROE's cost allocation plan. Rent costs are also an allowable expenditure, subject to limitations included in OMB Circular A-87.

QUESTIONED COSTS:

The amount of questioned costs cannot be determined without preparing a cost allocation plan.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING 06-05 – continued

CONTEXT:

The ROE allocated indirect costs to the 21st Century Community Learning Centers, Technology Literacy Challenge Grant, and several other programs. While these costs were approved in the grant budget, without documentation of the basis for, and rationale behind, the allocations, the amounts over- or under-charged to the program cannot be readily determined. Based on the total amount of allocated costs charged to the program, any amount deemed to be over-charged to the award most likely would be considered immaterial or less than \$10,000.

EFFECT:

The ROE is not able to determine if the amount of central service activities charged to the Federal Award represent the grant's "fair share" of costs recognized under principles required by OMB Circular A-87.

CAUSE:

The ROE determined the amount of costs to be allocated to the grant programs based on amounts allowable in grant budgets.

RECOMMENDATION:

The ROE should develop a cost allocation plan or establish an approved indirect cost rate in accordance with OMB Circular A-87 which addresses allowable costs to all applicable programs.

MANAGEMENT'S RESPONSE:

We agree with the finding. The Regional Office of Education now has a cost allocation plan which will enable the proper allocation of costs to grant funding sources. This cost allocation plan outlines the methods to be used to allocate both direct and indirect costs to grants. This cost allocation plan will be applied to federal and state grants, as well as, any other grants for which costs must be allocated. Employees whose salaries are paid from multiple funding sources are required to complete time sheets. Costs are determined and allocated based on formulas which ensure that only the actual cost of grant operation is charged to the grant. The condition of grants being excessively charged has stopped.

The ROE has also received an approved indirect cost rate from the Illinois State Board of Education.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING 06-06 – Controls over compliance with laws and regulations (Repeat of prior year finding: FS 05-06)

CRITERIA/SPECIFIC REQUIREMENT:

- 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 the educational service region, and if any irregularities are found 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 5/3-14.25 requires the Regional Office of Education to maintain, and make available to the public during regular business hours, a list of unfilled teaching positions within the region. The most current version of the list must be posted on or linked to the Regional Office of Education's Internet web site. If the Regional Office of Education does not have an Internet web site, the Regional Superintendent of Schools must make the list available to the State Board of Education and the State Board of Education must post the list on the State Board of Education's Internet web site.

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

- D. 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).

**FRANKLIN/WILLIAMSON COUNTIES
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING NO. 06-06 – Continued

- E. The Illinois School Code 105 ILCS 5/3-7 states that each school district shall, as of June 30 each year, cause an audit to be made of its accounts. Each school district shall on or before October 15 of each year, submit an original and one copy of such audit to the Regional Superintendent of Schools. If any school district fails to supply the Regional Superintendent of Schools with a copy of such audit report on or before October 15, or within such time extended by the Regional Superintendent of Schools from that date, not to exceed 60 days, then it shall be the responsibility of the Regional Superintendent of Schools to cause such audit to be made.

- F. The Illinois School Code 105 ILCS 5/13B-25.35 states that based on district plans to provide alternative learning opportunities, the Regional Office of Education must submit an annual plan summarizing the number, needs, and demographics of students at risk of academic failure expected to be served in its region. This plan must be updated annually and submitted to the State Board.

- G. The Illinois School Code 105 ILCS 5/3-14.17 requires the Regional Superintendent to notify the board of trustees and the clerks and secretaries of school districts, on or before September 30, annually, of the amount of money distributed to the school treasurer, with the date of distribution.

CONDITION:

- A. The Regional Office of Education No. 21 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 reviews and signs off on the Annual Financial Reports from the school districts in the region.

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. 21 did not maintain, and make available to the public during regular business hours, a list of unfilled teaching positions within the region. In addition, the Regional Office of Education No. 21 did not provide a listing on its website of all such unfilled teaching positions.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING NO. 06-06 – Continued

- C. The Regional Office of Education No. 21 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all its acts including a list of all the schools visited and dates of visitation.
- D. The Regional Office of Education No. 21 performs compliance inspections for each public school in the region on a rotational basis every 3 years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.
- E. The Regional Office of Education No. 21 was unable to supply evidence that 2 of the 16 school district financial statement audit reports were submitted to the Regional Office of Education by October 15, 2005 or by the extension date. One school district's financial statement audit report was submitted to the Regional Office of Education, but it was submitted 71 days after the allowable extension date granted of November 30, 2005. The remaining school district financial statement audit report had not been submitted as of October 13, 2006.
- F. The Regional Office of Education No. 21 did not provide the Illinois State Board of Education with an annual Regional Plan summarizing the number, needs, and demographics of students at risk of academic failure expected to be served in its region, even though school districts within the Regional Office's region participated in an Alternative Learning Opportunities Program (ALOP).
- G. The Regional Superintendent did not notify the board of trustees and the clerks and secretaries of school districts, on or before September 30, annually, of the amounts of money distributed to the school treasurer, with the date of distribution.

EFFECT:

The Regional Office of Education No. 21 did not comply with statutory requirements.

CAUSE:

- A. Franklin/Williamson Counties Regional Office of Education No. 21 officials indicated they did not examine the required documents at least annually because they believe the mandate is outdated.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING NO. 06-06 – Continued

CAUSE: - Continued

- B. Franklin/Williamson Counties Regional Office of Education No. 21 officials indicated they were unaware of the requirement to maintain, and make available to the public during regular business hours, a list of unfilled teaching positions within the region. Therefore, the most current version of the list was not posted on or linked to the Regional Office of Education's Internet web site.
- C. Franklin/Williamson Counties Regional Office of Education No. 21 officials indicated they were unaware of the requirement to present at the September county board meeting and as nearly quarterly thereafter, a report of all the Regional Superintendent's acts including a list of all the schools visited and dates of visitation.
- D. Franklin/Williamson Counties Regional Office of Education No. 21 officials believed that the periodic compliance visits completed at the public schools were sufficient to satisfy the statutory requirements.
- E. Franklin/Williamson Counties Regional Office of Education No. 21 does not maintain a log evidencing the receipt of the financial statements from the school districts and has no system for monitoring whether or not copies of financial statements are on hand.
- F. Franklin/Williamson Counties Regional Office of Education No. 21 officials indicated they were unaware of the requirement to provide the Illinois State Board of Education with an annual Regional Plan summarizing the number, needs, and demographics of students at risk of academic failure expected to be served in its region.
- G. Franklin/Williamson Counties Regional Office of Education No. 21 officials indicated that an oversight by management resulted in the failure to notify the board of trustees and the clerks and secretaries of school districts, on or before September 30, annually, of the amounts of money distributed to the school treasurer, with the date of distribution.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING NO. 06-06 – Continued

RECOMMENDATION:

- A. The Regional Office of Education No. 21 should comply with the requirements of 105 ILCS 5/3-14.11.
- B. The Regional Office of Education No. 21 should ensure that the website listing of open teaching positions is maintained and updated as required by 105 ILCS 5/3-14.25.
- C. The Regional Superintendent should attend the county board meeting in September and quarterly thereafter and present a report of all the Regional Superintendent's acts, including a list of all the schools visited and dates of visitation, as required by 105 ILCS 5/3-5.
- D. The Regional Superintendent should visit each public school annually to review all items noted in the statute as required by 105 ILCS 5/3-14.5.
- E. The Regional Office of Education No. 21 should maintain a log evidencing the receipt of the audits from the school districts and should implement a system for monitoring whether or not copies of audits are on hand as required by 105 ILCS 5/3-7.
- F. The Regional Office of Education No. 21 should provide ISBE with an annual Regional Plan summarizing the number, needs, and demographics of students at risk of academic failure expected to be served in its region. The Regional Plan should be annually updated and submitted as required by 105 ILCS 5/13B-25.35.
- G. The Regional Office of Education should submit the information required by 105 ILCS 5/3-14.17 to notify the required individuals of the amounts distributed to the school treasurer on or before September 30.

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.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING NO. 06-06 – Continued

MANAGEMENT’S RESPONSE:

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. We agree that this finding is accurate. The prior superintendent, Barry Kohl, did not maintain a link on the Regional Office of Education web site that provided a list of unfilled teaching positions during FY 06.

The current superintendent has corrected this oversight. There is a link on the ROE website that lists any unfilled teaching positions.

C. We agree that during FY 06 the previous superintendent failed to present at the September county board meeting and quarterly thereafter, a report of all its acts including a list of all the schools visited and dates of visitation.

There is an ongoing effort to repair and improve the relationship between the Regional Office of Education No. 21 and both the Franklin County and the Williamson County boards. This effort includes attending meetings more frequently and providing reports to the members of each board.

D. 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.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING NO. 06-06 – Continued

MANAGEMENT’S RESPONSE:

- E. We agree with this finding in that ROE No. 21 did not receive two audit reports (Franklin County Regional Vocational System and Franklin-Jefferson Special Education Cooperative) during the FY 06 time period and that one district (Frankfort Community Unit District #168) did not submit an audit until February 9, 2007, which exceeded the 60 extension allowance.

Monitoring for FY 07 has included maintaining a log evidencing the receipt of the financial statements from the school districts and communication with districts not in compliance.

- F. The prior superintendent in fact did not submit a plan in FY 06 to ISBE summarizing the number, needs, and demographics of students at risk of academic failure expected to be served in its region.

The current superintendent plans to develop and submit a plan to provide alternative learning opportunities for students at risk of academic failure in the school year 06-07.

- G. We agree that the former regional superintendent did not notify the board of trustees and the clerks and secretaries of school districts on or before September 30, 2005 of the amounts of money distributed to the school treasurer, with the date of distribution.

This requirement was fulfilled for September 2006.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING 06-07 – Questionable employee reimbursements

CRITERIA/SPECIFIC REQUIREMENT:

The ROE should adequately review employee claims for reimbursement and reimburse employees only for expenses that are supported by a legitimate business purpose and/or proper documentation in accordance with ROE’s Policies and Procedures Manual.

CONDITION:

The ROE made the following questionable employee reimbursements during FY06:

- The former Regional Superintendent received a \$30 refund for a hotel stay that was paid for by the ROE and never remitted the refund to the ROE.
- Two separate employees were reimbursed for mileage when an “Authorization for Payment” form was not attached or signed by the former Regional Superintendent. The total dollar amount of these reimbursements was \$263.20.
- The former Regional Superintendent was reimbursed \$146.25 for mileage to and from Springfield, IL to renew the Driver’s Education car’s license sticker at a Secretary of State facility. The former Regional Superintendent did not submit any additional documentation to indicate that he was traveling to Springfield, IL for any other reason during this time period. This type of service is provided at other locations near the ROE.
- An employee was reimbursed for the same meals twice. In two instances, the employee submitted reimbursement for a meal that was also charged to the employee’s hotel room which also was subsequently reimbursed by the ROE. The total dollar amount of these over-reimbursements was \$64.98.
- An employee was reimbursed for the same hotel stay twice. The total dollar amount of the over-reimbursement was \$154.

EFFECT:

The ROE could possibly over-report expenditures and/or incur unallowable expenditures.

CAUSE:

The ROE has insufficient controls over employee reimbursements.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING 06-07 – continued

RECOMMENDATION:

We recommend the ROE thoroughly review all claims for reimbursement before being approved for payment. The ROE should seek to recover improper reimbursements made to employees. Further, we recommend the ROE clarify and/or document policies regarding reimbursement of meals during travel.

MANAGEMENT’S RESPONSE:

We agree with the audit finding. Internal controls have been strengthened to prevent inadvertent errors in payment. Policies and procedures now require proper authorization for payment be adequately prepared and presented before payment is made. The policy handbook is being amended to include a section specific to reimbursement of meal expense. Current employees who were over reimbursed as a result of inadvertent errors on travel vouchers will be asked to reimburse the ROE in the amount of the overpayment.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING 06-08 – Failure to allocate interest earned (Repeat of prior year finding 05-08)

Federal Program Name : (a) National School Lunch Program (b) School Breakfast Program (c) SAE Nutrition Education Loan Library (d) 21st Century Community Learning Centers (e) McKinney Education for Homeless Children (f) Technology - Enhancing Education – Competitive (g) Title I – Reading First Part B SEA Funds (h) Community Tech Centers (i) Enforcing Underage Drinking Laws Program (j) Rural Education (k) Title I Grants to Local Education Agencies (l) Improving Teacher Quality State Grants (m) Title V- Innovative Programs (n) Substance Abuse Prevention and Treatment Block Grant (o) Technology Challenge Grant

Project Number: (a) 06-4210-00 (b) 06-4220-00 (c) 06-4227-00 (d) 06-4421-05 (e) 06-4920-00 (f) 06-4972-01, 05-4972-00, 05-4972-01, and 06-4971-00 (g) 05-4337-02 (h) V341A030102 (i) 611G6200000 (j) 06-4107-00 (k) 06-4300-00 and N/A (l) 06-4932-00 (m) 06-4999-00 and N/A (n) 611G6200000 (o) R303A980314-02

CFDA Number: (a) 10.555 (b) 10.553 (c) 10.560 (d) 84.287C (e) 84.196A (f) 84.318X (g) 84.357A (h) 84.341A (i) 16.727 (j) 84.358B (k) 84.010A (l) 84.367A (m) 84.298A (n) 93.959 (o) 84.303A

Passed Through: (a) Illinois State Board of Education (b) Illinois State Board of Education (c) Illinois State Board of Education (d) Illinois State Board of Education (e) Illinois State Board of Education (f) Illinois State Board of Education and Herrin Community Unit School District No. 4 (g) Illinois State Board of Education (h) None (i) Illinois Department of Human Services (j) Herrin Community Unit School District No. 4 (k) Herrin Community Unit School District No. 4 and Regional Office of Education No. 02 (l) Herrin Community Unit School District No. 4 (m) Regional Office of Education No. 25 (n) Illinois Department of Human Services (o) None

Federal Agency: (a) Dept. of Agriculture (b) Dept. of Agriculture (c) Dept. of Agriculture (d) Dept. of Education (e) Dept. of Education (f) Dept. of Education (g) Dept. of Education (h) Dept. of Education (i) Dept. of Justice (j) Dept. of Education (k) Dept. of Education (l) Dept. of Education (m) Dept. of Education (n) Dept. of Health and Human Services (o) Dept. of Education

CRITERIA/SPECIFIC REQUIREMENT:

The Regional Office of Education (ROE) Accounting Manual states that if dollars from two or more sources of funds (SOF) are combined in one bank account and/or fund, the ROE must allocate, on a reasonable basis, a portion of the interest earned on that bank account or fund to each of those SOF. The allocation should be done no less than monthly when bank statements are received. Once the interest is allocated to the appropriate SOF, certain rules apply to the expenditure of that interest. The *ROE Accounting Manual* states that the rules for allocating and expending interest vary depending on the SOF that generated the interest.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING 06-08 – continued

Unless the grant agreement specifically addresses the interest issue and provides otherwise, the following rules would apply.

- The Grant Funds Recovery Act (30 ILCS 705/1 et seq.) states that interest earned on grant funds becomes part of the grant principal and is treated accordingly for all purposes unless the grant agreement and/or the grant regulations provides otherwise. The Act further states that any grant funds not expended (or legally obligated) by the end of the grant period must be returned to the grantor. This applies to State and federal grants.
- Generally, federal rules supersede those of the State (for federal grants only). If a federal rule allows different treatment of interest, then the federal rule would be followed.
- Federal cash management requirements state that grantees and subgrantees shall minimize the time elapsed between the receipt of funds and the expenditure of those funds. The accumulation of interest would indicate excess cash on hand.
- U.S. Department of Education (USDE) regulations appear in 34 Code of Federal Regulations (CFR). Part 80 of 34 CFR is titled: “Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments”. It is also known as the “Common Rule” because most federal agencies have adopted it in their regulations. The “Common Rule” states that annual interest earned in excess of \$100.00 on advances of funds must be submitted promptly to the granting agency. The \$100.00 may be spent on administrative costs. Those administrative costs must be for that grant and within the grant period. Some grants may be exempt from the “Common Rule”.

Interest earned on SOF that are not grants but are set up by statute (examples include but may not be limited to Institute, GED, Bus Driver, Tech Hub) must be allocated to the SOF and expended for the same purpose. However, unlike grants, this interest does not have to be expended within any given period of time unless statute, regulations, or contract state otherwise. The same laws that apply to the expenditure of the original SOF also apply to any expenditures of interest earned on that SOF.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING 06-08 – continued

CONDITION:

The ROE is not currently allocating interest earned from their commingled bank account to each SOF.

QUESTIONED COSTS:

The amount of questioned costs cannot be determined without preparing an interest allocation plan, but would be less than \$10,000.

CONTEXT:

The ROE received various grant funds from State and federal sources, as well as funds received for services provided by their Institute, GED, and Bus Driver Training funds.

EFFECT:

Interest earned on excess funds for a SOF that are not allocated to that particular SOF may result in unallowable expenditures and noncompliance with State and federal statutes and regulations.

CAUSE:

The ROE was unable to develop a plan to allocate interest earned in their commingled cash account to each SOF.

RECOMMENDATION:

The Franklin/Williamson Counties Regional Office of Education No. 21 should develop a plan to allocate interest earned on commingled funds to each SOF and follow the appropriate State and federal statutes and regulations.

MANAGEMENT'S RESPONSE:

We agree with the audit finding. An Interest Allocation Plan has been developed which ensures that interest earned from grant funds will be allocated back to the grant source and used as part of the program as approved in the original grant agreement. This allocation will be made monthly with a report going to the Superintendent and Program Director which will help ensure proper utilization.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2006**

FINDING 06-09 – ROE employee received outside compensation

CRITERIA/SPECIFIC REQUIREMENT:

According to the ROE Policies and Procedures Manual, employees of the ROE are prohibited from having conflicting employment while employed in a full-time ROE position. In addition, if a full-time employee performs outside services or employment, such services or employment must be reported to the Program Director and/or Superintendent.

CONDITION:

A full-time ROE employee received two payments totaling \$450 from a school district within the counties served by the ROE. The payments were for training sessions normally performed within the employee's scope of employment with the ROE. There was no documentation showing that the services performed were approved by the Regional Superintendent.

EFFECT:

The ROE was not in compliance with their Policies and Procedures Manual regarding conflicting employment.

CAUSE:

The ROE has insufficient controls over enforcing the policies and procedures related to employees having conflicting employment while in a full-time ROE position.

RECOMMENDATION:

We recommend the Regional Superintendent implement procedures to ensure compliance with existing policies related to conflicting employment.

MANAGEMENT'S RESPONSE:

We agree with the audit finding. ROE policies have been extensively revised. A new Policy Handbook has been distributed to all employees. All employees have verified receipt of the Policy Handbook. A general staff meeting was held to give employees an opportunity to have any policy clarified. The Policy Handbook has been discussed at several ROE Director's meetings where additional clarification has been given. All employees have now been informed of this policy. Future violation should not occur.

School district superintendents and bookkeepers within Franklin and Williamson County will be notified that no payment should be made to ROE employees.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION III – FEDERAL AWARD FINDINGS
For the Year Ended June 30, 2006**

INSTANCES OF NON COMPLIANCE:

1. **FINDING 06-05** – Improper allocation of costs (finding details on pages 20-21)
2. **FINDING 06-08** – Failure to allocate interest earned (finding details on pages 31-33)

REPORTABLE CONDITIONS:

1. **FINDING 06-01**– Lack of adequate documentation to support pay rate increases and formal employee evaluations (finding details on pages 13-15)
2. **FINDING 06-05** – Improper allocation of costs (finding details on pages 20-21)
3. **FINDING 06-08** – Failure to allocate interest earned (finding details on pages 31-33)

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2006**

Corrective Action Plan

FINDING 06-01 – Lack of adequate documentation to support pay rate increases and formal employee evaluations

CONDITION:

The ROE made seven non-routine/bonus payments from July through December 2005 which totaled \$11,200. There were six \$1,000 payments made to the Program Director of several of the ROE grants. The other payment for \$5,200 was made to a faculty member for Project ECHO (Alternative School). While these payments were supported by a signed Payroll Authorization form, no explanation was provided for the employees' pay increases.

In addition, the former Regional Superintendent and former Assistant Regional Superintendent did not complete employee evaluations. Program directors completed self-evaluations; however, these were simply signed by the former Assistant Regional Superintendent and placed in the employees' personnel files. ROE personnel indicated that no evaluations were given to them, formally discussed with them, or signed by them.

PLAN:

Implementation of the new personnel policy and procedures is outlined in the MANAGEMENT RESPONSE.

ANTICIPATED DATE OF COMPLETION:

Complete and implemented during the summer of 2006.

CONTACT PERSON:

Dr. Ronda Baker, Regional Superintendent

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2006**

Corrective Action Plan

FINDING 06-02 – Unallowable expenditures

CONDITION: (AS REPORTED IN THE PRIOR YEAR)

The former Regional Superintendent submitted travel vouchers for mileage and meal expenses for himself and other employees that were reimbursed by the ROE that have been alleged to be materially false in indictments released on August 19, 2004. The former Regional Superintendent and three ROE employees have been indicted for allegations ranging from theft and forgery to official misconduct, conspiracy, and/or perjury. One of the four cases has been settled. As of June 30, 2006, legal proceedings related to the remaining three indictments were still continuing.

The former Regional Superintendent did reimburse the ROE \$2,625.70 during fiscal year 2004 for some personal expenditures incurred, but it is unclear which specific charges were reimbursed or whether any of these reimbursements related to matters that were the subject of the indictments.

PLAN:

The plan is to continue to implement the new policies and procedures as outlined in the MANAGEMENT RESPONSE.

ANTICIPATED DATE OF COMPLETION:

Completed and implemented in the Summer/Fall of 2006.

CONTACT PERSON:

Dr. Ronda Baker, Regional Superintendent

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2006**

Corrective Action Plan

FINDING 06-03 – Lack of internal controls over payroll

CONDITION:

The former Regional Superintendent's wife, a former ROE employee, received compensation for 124 days in which she was absent from work and there was no documentation that services were performed. Additionally, the employee had no vacation or sick time earned or accumulated. Regional Office officials indicated that the Superintendent's wife was not on any authorized paid leave. The total amount paid to the employee during this period was \$25,411.

PLAN:

The plan is to continue to implement the new policies and procedures put in place by the new administration as described in MANAGEMENT RESPONSE in Findings 06-01, 06-02, and 06-03.

ANTICIPATED DATE OF COMPLETION:

Completed and implemented in the Summer of 2006.

CONTACT PERSON:

Dr. Ronda Baker, Regional Superintendent

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2006**

Corrective Action Plan

FINDING 06-04 – Unallowable cell phone charges

CONDITION:

The former Regional Superintendent submitted monthly cell phone bills which included a number of questionable expenditures. These questionable expenditures included service fees for phone lines not used by ROE employees for 2 1/2 months, ring-tone download charges (4 instances), multimedia packages (24 instances), and late fees (4 instances). The questionable cell phone expenditures during FY06 totaled \$383.12.

PLAN:

The plan is to implement the new policies and procedures outlined in the MANAGEMENT RESPONSE.

ANTICIPATED DATE OF COMPLETION:

Completed and implemented in June 2006.

CONTACT PERSON:

Dr. Ronda Baker, Regional Superintendent

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2006**

Corrective Action Plan

FINDING 06-05– Improper allocation of costs

CONDITION:

The ROE has not implemented a cost allocation plan or an approved indirect cost rate to allocate indirect costs in accordance with OMB Circular A-87. The ROE invoices the various grants and programs it administers for central service activities, including support salaries and related benefits, accounting and secretarial services, and space rent based on the grants' budgeted costs (rather than as part of a Cost Allocation Plan). Such salaries and benefits are allowable expenditures under OMB Circular A-87. However, where employees work on multiple activities or cost objectives, a distribution of their salaries or wages is required to be documented in accordance with the provisions of OMB Circular A-87 or be included in the ROE's cost allocation plan. Rent costs are also an allowable expenditure, subject to limitations included in OMB Circular A-87.

PLAN:

The plan is to implement the cost allocation plan described in MANAGEMENT RESPONSE.

ANTICIPATED DATE OF COMPLETION:

The cost allocation plan is completed. It will be implemented with the 2008 round of grant applications and applied where possible to existing grant agreements.

CONTACT PERSON:

Dr. Ronda Baker, Regional Superintendent

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2006**

Corrective Action Plan

FINDING 06-06 – Controls over compliance with laws and regulations

CONDITION:

A. The Regional Office of Education No. 21 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 reviews and signs off on the Annual Financial Reports from the school districts in the region.

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. 21 did not maintain, and make available to the public during regular business hours, a list of unfilled teaching positions within the region. In addition, the Regional Office of Education No. 21 did not provide a listing on its website of all such unfilled teaching positions.
- C. The Regional Office of Education No. 21 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all its acts including a list of all the schools visited and dates of visitation.
- D. The Regional Office of Education No. 21 performs compliance inspections for each public school in the region on a rotational basis every 3 years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.
- E. The Regional Office of Education No. 21 was unable to supply evidence that 2 of the 16 school district financial statement audit reports were submitted to the Regional Office of Education by October 15, 2005 or by the extension date. One school district's financial statement audit report was submitted to the Regional Office of Education, but it was submitted 71 days after the allowable extension date granted of November 30, 2005. The remaining school district financial statement audit report had not been submitted as of October 13, 2006.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2006**

Corrective Action Plan

FINDING 06-06 – CONTINUED

- F. The Regional Office of Education No. 21 did not provide the Illinois State Board of Education with an annual Regional Plan summarizing the number, needs, and demographics of students at risk of academic failure expected to be served in its region, even though school districts within the Regional Office's region participated in an Alternative Learning Opportunities Program (ALOP).
- G. The Regional Superintendent did not notify the board of trustees and the clerks and secretaries of school districts, on or before September 30, annually, of the amounts of money distributed to the school treasurer, with the date of distribution.

PLAN:

Identification and understanding of statutory requirements has been a time-consuming endeavor and an ongoing process during FY 07. However, the development of procedures to comply with the statutes and the implementation of those procedures has also been occurring throughout this past fiscal year. Most, if not all, have been developed and are in place or will be implemented immediately.

ANTICIPATED DATE OF COMPLETION:

All procedures for compliance with statutory requirements are expected to be in place prior to July 1, 2007.

CONTACT PERSON:

Dr. Ronda Baker, Regional Superintendent

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2006**

Corrective Action Plan

FINDING 06-07 – Questionable employee reimbursements

CONDITION:

The ROE made the following questionable employee reimbursements during FY06:

- The former Regional Superintendent received a \$30 refund for a hotel stay that was paid for by the ROE and never remitted the refund to the ROE.
- Two separate employees were reimbursed for mileage when an “Authorization for Payment” form was not attached or signed by the former Regional Superintendent. The total dollar amount of these reimbursements was \$263.20.
- The former Regional Superintendent was reimbursed \$146.25 for mileage to and from Springfield, IL to renew the Driver’s Education car’s license sticker at a Secretary of State facility. The former Regional Superintendent did not submit any additional documentation to indicate that he was traveling to Springfield, IL for any other reason during this time period. This type of service is provided at other locations near the ROE.
- An employee was reimbursed for the same meals twice. In two instances, the employee submitted reimbursement for a meal that was also charged to the employee’s hotel room which also was subsequently reimbursed by the ROE. The total dollar amount of these over-reimbursements was \$64.98.
- An employee was reimbursed for the same hotel stay twice. The total dollar amount of the over-reimbursement was \$154.

PLAN:

The plan is to implement existing revised policies and procedures relative to travel expense and payment of travel vouchers. Current employees will be asked to reimburse the ROE for overpayment. A new section will be added to the policy handbook pertaining to meal expenses.

ANTICIPATED DATE OF COMPLETION:

Policies and procedures were implemented in the summer of 2006 to provide improved internal controls for payments. A new section will be added to the policy handbook pertaining to meal expenses by June 1, 2007.

CONTACT PERSON:

Dr. Ronda Baker, Regional Superintendent

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2006**

Corrective Action Plan

FINDING 06-08 – Failure to allocate interest earned

CONDITION:

The ROE is not currently allocating interest earned from their commingled bank account to each SOF.

PLAN:

The plan is to implement the Interest Allocation Plan.

ANTICIPATED DATE OF COMPLETION:

The Interest Allocation Plan has been completed and will be implemented with FY-08 grant applications and with current grants where possible.

CONTACT PERSON:

Dr. Ronda Baker, Regional Superintendent

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2006**

Corrective Action Plan

FINDING 06-09 – ROE employee received outside compensation

CONDITION:

A full-time ROE employee received two payments totaling \$450 from a school district within the counties served by the ROE. The payments were for training sessions normally performed within the employee's scope of employment with the ROE. There was no documentation showing that the services performed were approved by the Regional Superintendent.

PLAN:

The plan is to implement existing policies and notify local education agencies within Franklin and Williamson Counties that no payment should be made to ROE employees.

ANTICIPATED DATE OF COMPLETION:

New policies were implemented March 1, 2007. LEA's will be notified by June 1, 2007.

CONTACT PERSON:

Dr. Ronda Baker, Regional Superintendent

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
05-01	Lack of pay-rate authorizations and formal employee evaluations	Repeated.
05-02	Unallowable expenditures	Repeated.
05-03	Lack of supporting documentation	Not repeated.
05-04	Unallowable cell phone charges	Repeated.
05-05	Improper allocation of costs	Repeated.
05-06	Controls over compliance with laws and regulations	Repeated.
05-07	Lack of and/or inconsistencies in payment authorizations	Not repeated.
05-08	Failure to allocate interest earned	Repeated.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

Franklin/Williamson Counties Regional Office of Education (ROE) No. 21 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

This report will include past year financial activity, along with fiscal year 2006 activity, making comparisons of the financial position and results of operations more meaningful.

2006 FINANCIAL HIGHLIGHTS

General Fund balance decreased from \$47,280 in fiscal year 2005 to \$38,597 in fiscal year 2006. General Fund revenues decreased from \$191,895 to \$145,224 (excluding on-behalf payments), which is attributable to a decrease in state grant revenue and revenues from local sources. General Fund expenditures decreased from \$202,624 to \$153,907 (excluding on-behalf payments) due primarily to a decrease in salaries allocated to this fund and a decrease in interest earned on the Distributive Fund.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Office's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the ROE No. 21 as a whole and present an overall view of the Office's finances.
- The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Office's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Supplementary Information further explains and supports the financial statements with a comparison of the Office's detailed information for each category of funds and also provides detailed information about the non-major funds.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

Reporting the Franklin/Williamson Counties Regional Office of Education as a Whole

The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the ROE No. 21 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the ROE No. 21 assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

Fund Financial Statements

The fund financial statements provide detailed information about the Regional Office's funds, focusing on its most significant or "major" funds. Funds are accounting devices which allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by State law. The Regional Office of Education No. 21 established other funds to control and manage money for particular purposes.

The Office has three kinds of fund classifications:

- 1) Governmental funds account for a majority of the Office's services. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Office's programs. The Office's governmental funds include: the General Fund and the Special Revenue Funds.

The governmental fund's required financial statements include a Balance Sheet and a Statement of Revenue, Expenditures and Changes in Fund Balances.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

- 2) Proprietary funds account for services for which the Regional Office of Education No. 21 charges fees under a cost-reimbursement method. These fees cover the costs of certain services it provides.

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

- 3) Fiduciary funds account for services for which the ROE No. 21 acts as fiscal agent for individuals and private or governmental organizations.

The fiduciary funds required financial statements include a Statement of Fiduciary Net Assets.

A summary reconciliation between the government-wide financial statements and the fund financial statements are included after each fund financial statement.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. ROE No. 21's net assets at the end of fiscal year 2005 totaled \$880,586. At the end of fiscal year 2006, the net assets were \$713,458. The analysis that follows provides a summary of the Office's net assets at June 30, 2006 and 2005.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

**CONDENSED STATEMENT OF NET ASSETS
June 30, 2006 and 2005**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
ASSETS						
Current assets	\$ 551,468	\$ 999,934	\$ 46,345	\$ -	\$ 597,813	\$ 999,934
Capital assets, net of depreciation	<u>214,841</u>	<u>382,206</u>	<u>-</u>	<u>-</u>	<u>214,841</u>	<u>382,206</u>
TOTAL ASSETS	<u>\$ 766,309</u>	<u>\$ 1,382,140</u>	<u>\$ 46,345</u>	<u>\$ -</u>	<u>\$ 812,654</u>	<u>\$ 1,382,140</u>
LIABILITIES						
Current liabilities	<u>\$ 52,851</u>	<u>\$ 501,554</u>	<u>\$ 46,345</u>	<u>\$ -</u>	<u>\$ 99,196</u>	<u>\$ 501,554</u>
TOTAL LIABILITIES	<u>52,851</u>	<u>501,554</u>	<u>46,345</u>	<u>-</u>	<u>99,196</u>	<u>501,554</u>
NET ASSETS						
Investments in capital assets, net of related debt	214,841	382,206	-	-	214,841	382,206
Unrestricted	<u>498,617</u>	<u>498,380</u>	<u>-</u>	<u>-</u>	<u>498,617</u>	<u>498,380</u>
TOTAL NET ASSETS	<u>\$ 713,458</u>	<u>\$ 880,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 713,458</u>	<u>\$ 880,586</u>

The Regional Office of Education's net assets decreased by \$167,128 from Fiscal Year 2005 to Fiscal Year 2006. This decrease occurred as a result of depreciation expense on the Office's significant amount of fixed assets.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

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

**CHANGES IN NET ASSETS
For the Years Ended June 30, 2006 and 2005**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program revenues:						
Charges for services	\$ 51,377	\$ 46,865	\$ 87,554	\$ 122,633	\$ 138,931	\$ 169,498
Operating grants & contributions	<u>2,808,618</u>	<u>2,916,216</u>	<u>-</u>	<u>-</u>	<u>2,808,618</u>	<u>2,916,216</u>
Total Program revenues	<u>2,859,995</u>	<u>2,963,081</u>	<u>87,554</u>	<u>122,633</u>	<u>2,947,549</u>	<u>3,085,714</u>
General revenues:						
Local sources	172,578	209,348	-	-	172,578	209,348
On-behalf payments	367,234	439,079	-	-	367,234	439,079
Investment income	<u>8,995</u>	<u>10,358</u>	<u>-</u>	<u>-</u>	<u>8,995</u>	<u>10,358</u>
Total General revenues	<u>548,807</u>	<u>658,785</u>	<u>-</u>	<u>-</u>	<u>548,807</u>	<u>658,785</u>
Total Revenues	<u>3,408,802</u>	<u>3,621,866</u>	<u>87,554</u>	<u>122,633</u>	<u>3,496,356</u>	<u>3,744,499</u>
Expenses:						
Salaries	1,391,147	1,587,286	-	-	1,391,147	1,587,286
Benefits	333,572	324,277	-	-	333,572	324,277
Purchased services	819,851	653,004	-	-	819,851	653,004
Supplies and materials	86,802	148,472	87,554	122,633	174,356	271,105
Depreciation	204,770	302,417	-	-	204,770	302,417
Capital outlay	41,530	35,810	-	-	41,530	35,810
Other	51,793	84,890	-	-	51,793	84,890
Transfers-payments to other governmental units	279,231	344,776	-	-	279,231	344,776
On-behalf payments	<u>367,234</u>	<u>439,079</u>	<u>-</u>	<u>-</u>	<u>367,234</u>	<u>439,079</u>
Total expenses	<u>3,575,930</u>	<u>3,920,011</u>	<u>87,554</u>	<u>122,633</u>	<u>3,663,484</u>	<u>4,042,644</u>
Change in net assets	(167,128)	(298,145)	-	-	(167,128)	(298,145)
Net assets – beginning	<u>880,586</u>	<u>1,178,731</u>	<u>-</u>	<u>-</u>	<u>880,586</u>	<u>1,178,731</u>
Net assets – ending	<u>\$ 713,458</u>	<u>\$ 880,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 713,458</u>	<u>\$ 880,586</u>

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

Governmental Activities

Revenues for governmental activities were \$3,408,802 and expenses were \$3,575,930. In a difficult budget year, the Regional Office of Education No. 21 was able to use some of the carryover balances to pay for the additional services offered to and needed by local school districts.

Business-Type Activities

Revenues and expenses for the Regional Office of Education No. 21's business-type activities decreased from the prior fiscal year due to the completion of only one paper bid in fiscal year 2006 as opposed to the completion of three paper bids in fiscal year 2005.

Financial Analysis of the Regional Office of Education No. 21 Funds

As previously noted, the Regional Office of Education No. 21 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Office's governmental funds reported combined fund balances of \$498,617, slightly above last year's ending fund balance of \$498,380. The primary reason for the small increase in combined fund balances in fiscal year 2006 was due to a decrease in local and federal revenue sources which, in turn, reduced salary expense.

Governmental Fund Highlights

- The dollar return on investments was reduced because of less participation in the Distributive Fund.
- In 2003, the Governor of the State of Illinois line item vetoed a portion of the state financial support for school services. This veto resulted in a reduction in dollars received. This reduction in funding continued for 2005-2006.

Budgetary Highlights

The Regional Office of Education No. 21 annually adopts program budgets on a basis consistent with U.S. generally accepted accounting principles. The Illinois State Board of Education reviews the proposed budgets and either grants approval or returns them without approval with comments. Any unapproved budget must be resubmitted to the Illinois State Board of Education for final approval. The budgets may be amended during the year utilizing procedures prescribed by the Illinois State Board of Education.

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

Capital Assets

Capital Assets of the Regional Office of Education No. 21 include office equipment, computers, audio-visual equipment, office furniture, and a building. The Regional Office of Education No. 21 maintains an inventory of capital assets, which have been accumulated over time. The decrease for fiscal year 2006 was a result of not receiving grant monies to purchase new equipment and the depreciation of existing assets. There were no dispositions during the fiscal year. The Regional Office of Education No. 21's ending net asset balance for fiscal year 2006 is \$214,841, which is the total original cost of the capital assets less accumulated depreciation. More detailed information about capital assets is available in Note No. 4 to the financial statements.

Economic Factors And Next Year's Budget

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

- The State of Illinois Foundation level has increased to \$5,334 per student.
- The interest rate on investments remains low and will impact interest earned.
- Several grants have remained near or at previous funding levels. In addition, the School Services funding levels have been reduced.
- The number of students served by the Regional Office of Education No. 21 is expected to remain constant.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the Regional Office's citizens, taxpayers, clients, and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the Regional Office of Education No. 21 at 202 W. Main, Benton, IL 62812.

BASIC FINANCIAL STATEMENTS

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 468,376	\$ 2,339	\$ 470,715
Accounts receivable	6,890	-	6,890
Due from Illinois State Board of Education	180	-	180
Due from other governments	76,022	44,006	120,028
Total current assets	<u>551,468</u>	<u>46,345</u>	<u>597,813</u>
NONCURRENT ASSETS			
Capital assets, net of depreciation	<u>214,841</u>	<u>-</u>	<u>214,841</u>
TOTAL ASSETS	<u>766,309</u>	<u>46,345</u>	<u>812,654</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	4,526	46,345	50,871
Deferred revenue	48,325	-	48,325
Total current liabilities	<u>52,851</u>	<u>46,345</u>	<u>99,196</u>
TOTAL LIABILITIES	<u>52,851</u>	<u>46,345</u>	<u>99,196</u>
NET ASSETS			
Invested in capital assets, net of related debt	214,841	-	214,841
Unrestricted	498,617	-	498,617
TOTAL NET ASSETS	<u>\$ 713,458</u>	<u>\$ -</u>	<u>\$ 713,458</u>

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

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT						
Governmental Activities:						
Instructional Services:						
Salaries	\$ 1,391,147	\$ -	\$ 1,296,958	\$ (94,189)	\$ -	\$ (94,189)
Benefits	333,572	-	318,792	(14,780)	-	(14,780)
Purchased services	819,851	7,836	759,776	(52,239)	-	(52,239)
Supplies and materials	86,802	4,500	78,608	(3,694)	-	(3,694)
Depreciation	204,770	-	-	(204,770)	-	(204,770)
Capital outlay	41,530	-	69,245	27,715	-	27,715
Other	51,793	39,041	1,273	(11,479)	-	(11,479)
Transfers - payments to other governmental units	279,231	-	283,966	4,735	-	4,735
Administrative:						
On-behalf payments	367,234	-	-	(367,234)	-	(367,234)
Total Governmental Activities	3,575,930	51,377	2,808,618	(715,935)	-	(715,935)
Business-type Activities:						
Other	87,554	87,554	-	-	-	-
Total Business-type Activities	87,554	87,554	-	-	-	-
Total Primary Government	\$ 3,663,484	\$ 138,931	\$ 2,808,618	(715,935)	-	(715,935)
General Revenues:						
				172,578	-	172,578
				367,234	-	367,234
				8,995	-	8,995
				548,807	-	548,807
				Change in net assets	(167,128)	(167,128)
				Net Assets - beginning	880,586	880,586
				Net Assets - ending	\$ 713,458	\$ 713,458

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

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2006

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 73,381	\$ 299,396	\$ 86,932	\$ 8,667	\$ 468,376
Accounts receivable	6,890	-	-	-	6,890
Due from Illinois State Board of Education	-	180	-	-	180
Due from other governments	-	73,715	-	2,307	76,022
Due from other funds	-	99,073	-	-	99,073
TOTAL ASSETS	\$ 80,271	\$ 472,364	\$ 86,932	\$ 10,974	\$ 650,541
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 4,526	\$ -	\$ -	\$ -	\$ 4,526
Due to other funds	37,148	49,602	1,708	10,615	99,073
Deferred revenue	-	41,865	6,460	-	48,325
Total liabilities	41,674	91,467	8,168	10,615	151,924
FUND BALANCE					
Unreserved and undesignated					
General fund	38,597	-	-	-	38,597
Special revenue funds	-	380,897	78,764	359	460,020
Total fund balance	38,597	380,897	78,764	359	498,617
TOTAL LIABILITIES AND FUND BALANCE	\$ 80,271	\$ 472,364	\$ 86,932	\$ 10,974	\$ 650,541

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

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total fund balances - governmental funds	\$ 498,617
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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.	214,841
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Net assets of governmental activities	\$ 713,458
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The notes to the financial statements are an integral part of this statement.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
For the Year Ended June 30, 2006

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
REVENUES					
Local sources	\$ 69,809	\$ 102,769	\$ 37,431	\$ 13,946	\$ 223,955
State sources	66,420	1,479,907	-	2,600	1,548,927
Federal sources	-	1,259,691	-	-	1,259,691
Interest income	8,995	-	-	-	8,995
On-behalf payments	367,234	-	-	-	367,234
Total revenues	<u>512,458</u>	<u>2,842,367</u>	<u>37,431</u>	<u>16,546</u>	<u>3,408,802</u>
EXPENDITURES					
Salaries	61,116	1,302,531	27,500	-	1,391,147
Benefits	13,945	313,947	5,680	-	333,572
Purchased services	51,375	751,959	14,105	2,412	819,851
Supplies and materials	5,331	77,838	248	3,385	86,802
Capital outlay	8,905	70,030	-	-	78,935
Other	13,235	19,528	17,416	1,614	51,793
Transfers - payments to other governmental units	-	279,231	-	-	279,231
On-behalf payments	367,234	-	-	-	367,234
Total expenditures	<u>521,141</u>	<u>2,815,064</u>	<u>64,949</u>	<u>7,411</u>	<u>3,408,565</u>
Net change in fund balances	(8,683)	27,303	(27,518)	9,135	237
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>47,280</u>	<u>353,594</u>	<u>106,282</u>	<u>(8,776)</u>	<u>498,380</u>
FUND BALANCE, END OF YEAR	<u>\$ 38,597</u>	<u>\$ 380,897</u>	<u>\$ 78,764</u>	<u>\$ 359</u>	<u>\$ 498,617</u>

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

**FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006**

Net change in fund balances		\$ 237
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$ 37,405	
Depreciation expense	<u>(204,770)</u>	<u>(167,365)</u>
Change in net assets of governmental activities		<u><u>\$ (167,128)</u></u>

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

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2006

	Business-type Activities Enterprise Funds
	<u>Paper Bid</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 2,339
Due from other governments	44,006
Total current assets	<u>46,345</u>
Total Assets	<u>46,345</u>
Liabilities	
Accounts payable	<u>46,345</u>
Total Liabilities	<u>46,345</u>
Net Assets	
Unrestricted	<u>\$ -</u>

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

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2006

	<u>Business-type Activities Enterprise Funds</u>
	<u>Paper Bid</u>
Operating revenues	
Local sources	<u>\$ 87,554</u>
Operating expenses	
Supplies and materials	<u>87,554</u>
Change in Net Assets	-
Net Assets, Beginning of year	<u>-</u>
Net Assets, End of year	<u><u>\$ -</u></u>

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

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006

	Business-type Activities Enterprise Funds
	Paper Bid
Cash Flows from Operating Activities:	
Receipts from customers	\$ 20,537
Payments to suppliers and providers of goods and services	(18,198)
Net cash from operating activities	2,339
Net increase in cash and cash equivalents	2,339
Cash and cash equivalents - Beginning of year	-
Cash and cash equivalents - End of year	\$ 2,339
Reconciliation of operating income to net cash from operating activities:	
Adjustments to reconcile operating income to net cash from operating activities:	
(Increase)/Decrease in assets:	
Due from other governments	\$ 23,011
Increase/(Decrease) in liabilities:	
Accounts payable	46,345
Due to other funds	(67,017)
Net cash from operating activities	\$ 2,339

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

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2006

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 4,831
Due from Illinois State Board of Education	3,367
TOTAL ASSETS	\$ 8,198
 LIABILITIES	
Due to other governments	\$ 8,198
TOTAL LIABILITIES	\$ 8,198

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

**FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Franklin/Williamson Counties Regional Office of Education No. 21 (ROE) substantially comply with the rules prescribed by the Illinois State Board of Education (ISBE). These accounting policies conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. Reporting Entity

The ROE operates under the School Code (Articles 5/3 and 5/3A of *Illinois Compiled Statutes*, Chapter 105). The ROE encompasses Franklin and Williamson Counties. The Regional Superintendent of Schools (Superintendent) serves as chief administrative officer of the ROE and is elected pursuant to Article 3, *Illinois Compiled Statutes*, Chapter 105. The principal financial duty of the Superintendent is to receive and distribute monies due to school districts from general state aid, state categorical grants, and various other sources.

The Regional Superintendent is charged with the 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; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the region's districts; providing township treasurers with a list of district treasurers; to inspect and approve 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.

FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
NOTES TO FINANCIAL STATEMENTS – Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity – Continued

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 under his control are properly bonded.

The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for the districts in the region, or see that no payments are made unless the treasurer has filed or renewed appropriate bond and that the district has certified publication of the annual financial report. The Regional Superintendent is required to provide opinions and advice related to controversies under school law.

For the period ended June 30, 2006, the ROE applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in Region No. 21. Such activities are reported as a single major special revenue fund (Education Fund).

The ROE also acts as the administrative agent for the Franklin County Regional Delivery System (a joint agreement). As administrative agent, the ROE is responsible for the receipt and distribution of the System's funding, as well as all necessary reporting requirements for the Illinois State Board of Education and other granting agencies.

The ROE reporting entity includes all related organizations for which they exercise oversight responsibility.

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

The districts and joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the ROE does not control the assets, operations, or management of the districts or joint agreements. In addition, the ROE is not aware of any entity, which would exercise such oversight as to result in the ROE being considered a component unit of the entity.

FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
NOTES TO FINANCIAL STATEMENTS – Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity – Continued

Based on this criteria, the expenditures paid through the funds of Franklin and Williamson Counties, for operation of the ROE, are not included in the reporting entity since it is the county boards that authorize, oversee, and control these expenditures.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities are supported by intergovernmental revenues and are reported separate from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and reported in a single column.

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

FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
NOTES TO FINANCIAL STATEMENTS – Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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 current liabilities. The ROE considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues from local sources consist primarily of fees charged to school districts for services rendered by the ROE. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Grant funds from the State of Illinois are considered to be earned to the extent of expenditures made under the provisions of the grant. Investment earnings are recorded as earned since they are measurable and available.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the Statement of Net Assets. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Under the provisions of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the ROE applies all GASB pronouncements and has elected to apply only the pronouncements issued on or before November 30, 1989 for the following: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
NOTES TO FINANCIAL STATEMENTS – Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

The ROE reports the following major governmental funds:

General Fund - The General Fund is used to account for resources traditionally associated with government which are not required, legally or by sound financial management, to be accounted for in another fund. The ROE's General Fund accounts include the following:

- Computer Maintenance – Monies received from local districts for computer maintenance and technical assistance.
- County Budget – Monies received from the Franklin and Williamson County Boards to help support the day to day expenses of the ROE.
- ROE/ISC Operations – Monies received from local and State sources to help support the day to day operating expenses of the ROE.
- Working Cash – Interest received from the Illinois Funds and local bank accounts, as well as other miscellaneous receipts used to support the day to day expenses of the ROE.

Education Fund - The Education Fund includes proceeds from specific revenue sources (generally all State and federal grants except Supervisory and ROE/ISC Operations) that are legally restricted to expenditures for specified purposes. The ROE's Education Fund accounts include the following:

- Career Awareness and Development – Offers teachers strategies for integrating career awareness into their daily classroom instruction.
- 21st Century Community Learning Centers – Funds received to administer the U.S. Department of Education 21st Century Learning Center after school program.
- Exceptional Children Have Opportunities (ECHO) – Funds received for students attending the two alternative schools.
- Family Violence – Registration fees from violence prevention workshops.
- Special Education - Grants to States – Provides supplemental services to children to expand community based capacity that allows children to remain in their community.
- Illinois Violence Prevention – Provides training costs and salary for a representative of the Family Violence Coordinating Council to represent the council at meetings in the nine county area of the 1st Circuit.

FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
NOTES TO FINANCIAL STATEMENTS – Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

- Substance Abuse Prevention and Treatment Block Grant – The ROE is the administrative agent for the Department of Human Services funded In Touch program which supports prevention professionals trained to assist communities and schools with the knowledge and skills for effective alcohol, tobacco, and other drug prevention.
- Scientific Literacy Workshop – Funds include registration fees received from Scientific Literacy workshops.
- McKinney Education for Homeless Children – This grant provides funds for providing information to schools, community members and government entities about the educational rights of homeless students.
- Regional Gifted – Gifted services range from student orientated programs like the Gifted Olympiads, to professional development services such as the Gifted Program Coordinators’ meeting.
- Regional Safe Schools – These funds provide programs for disruptive students who are eligible for suspension or expulsion. The programs provide individually designed curriculum, social skills training, career exploration and work experience opportunities, and opportunities to work toward re-entry into the traditional programs, if appropriate.
- Title I - Reading First Part B State Education Agency (SEA) – This program is designed to plan and implement Reading First Academies and provide professional development for teachers in Reading First Schools.
- State Administrative Expenses (SAE) Nutrition Education Loan Library – The program contains nutrition resource materials available for check out to Illinois public schools, daycare facilities, and community groups.
- Scientific Literacy Catalyst – Grant awarded to provide training to teachers on the topic of how to incorporate science in other core curriculums.
- Special Needs – Special Needs fund is a program that was set up to help students meet their needs such as purchasing school supplies, clothing, coats, etc.
- Standards Aligned – The Standards Aligned Classroom initiative helps educators rethink the relationship between assessment and effective schools. It centers on how student achievement is assessed and how the assessment is used in the service of student success.
- Technology Challenge Grant – A federal Technology Innovation Challenge grant that provides professional development opportunities to educators by offering workshops in the areas of developing high quality course curriculum, teaching methodologies, and state-of-the-art technology skills.

FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
NOTES TO FINANCIAL STATEMENTS – Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

- Tech Prep Academy – Program set up to handle registration fees from participants wanting to take professional development workshops.
- Test Center – The testing center provides services and technical assistance to schools on matters related to student assessment. Such services include group purchasing of achievement tests, scoring and reporting results of achievement tests, and data interpretation.
- Test Cooperative – A local fund set up to provide assistance with development and scoring of local assessment.
- Title IV - Community Service – The Community Service program is part of the No Child Left Behind Title IV Illinois Community Service Grant. The grant partners students with community service projects to enhance learning through service work.
- Truants Alternative Optional Education Program (TAOEP) – This program is devoted to ensuring that each referred at-risk student will be provided with individualized educational and supplemental services that meet the holistic needs of students in pursuit of their education development. TAOEP offerings include: identification of at-risk students and dropouts, truancy intervention services, academic intervention and remediation, parental skills development, and network with community agencies and businesses.
- Williamson County Film Library – Funding for the film library is based on an annual assessment fee from each school district in Williamson County. Funds are used to cover salary and travel expenses for the media assistant.
- Math Professional Development – Provides training for local math teachers using the Materials for Teaching Teachers (M2T2) training program.
- Technology – Enhancing Education – Competitive – Competitive grant awarded to provide scientific literacy workshops to local teachers.
- Area VI Technology Hub – A local fund to track State dollars received through Jackson/Perry ROE No. 30 Area VI South Technology Center program.
- Community Technology Center – A grant to create or expand community technology centers that will provide access to information technology and the training to use it and to promote the academic achievement of low-achieving high school students.

FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
NOTES TO FINANCIAL STATEMENTS – Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

- Learn and Serve – Grant funds received so that students may create, monitor, and learn from an outdoor classroom at the Project ECHO building.
- System of Support – Grant monies in this fund are used to provide professional development activities to schools that are on Illinois' Academic Watch List. To be on the list, students in the buildings have made Adequate Yearly Progress for at least two years. The funding sources for this grant are Title I, Title II, and State appropriated monies.
- Eliminate Digital Divide – Funding received through the Illinois Department of Commerce and Economic Opportunity to provide computer career and job skills through the community technology centers.
- ROE State Grant – Funding received through the ROE #56 in Will County through the Department of Commerce and Economic Opportunity as an entitlement based upon 02-03 enrollment.
- Formula Ed Tech – Funding received through the Herrin Community Unit School District #4 through the Department of Education to conduct general teacher workshops with the counties of Franklin and Williamson.
- Team Nutrition Grant – Funding received through the Herrin Community Unit School District #4 through the Department of Agriculture to promote nutrition curriculum and education in schools.

Institute Fund – Used to account for examination, registration and renewal fees and to defray expenses incidental to teacher's institutes, workshops and professional meetings. The ROE's Institute Fund accounts include the following:

- Certification – Fees received from teachers when registering for their teaching certificates.
- Institute – The Teacher Institute Fund accounts for teacher registration fees. 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 teacher institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers. All funds generated remain restricted until expended only on the aforementioned activities.
- ISO Workshops – Registration fees received from participants attending staff development workshops.
- Network Internet – Monies received are used for computer workshops and trainings and technical support for local districts.

FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
NOTES TO FINANCIAL STATEMENTS – Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

- Local Workshop Prevention – Registration fees from the In Touch Prevention conference.

Additionally, the ROE reports the following fund types:

Governmental

Special Revenue Funds - Special Revenue Funds are used to account for the collection and disbursement of earmarked monies. The ROE's nonmajor Special Revenue Funds include the following:

- Bus Driver Permit – Experienced drivers must take a two-hour refresher course annually, while all new drivers must take an eight-hour course in bus driver safety and first aid, prescribed by the Illinois State Board of Education and administered by the ROE.
- General Education Development (GED) and GED Scoring – Illinois law requires the Regional Superintendent of Schools of each county/counties to administer the GED test. The GED tests are given once a month in each county. GED scoring fees provide for testing materials and staff salaries.
- Supervisory – Used to account for travel and other expenditures necessary to perform the duty of supervising the school districts in the region.

Proprietary

Proprietary funds account for activities whose costs are funded by fees and charges. These fees and charges are paid by external users for goods or services. The ROE utilizes the following proprietary fund:

- Paper Bid – This program is used to purchase paper in bulk for the schools in order to reduce their costs.

Fiduciary

Agency Funds – Fiduciary funds account for assets held by the ROE in a trustee or agency capacity. Agency funds are custodial in nature and do not involve measurement of results of operations. The ROE utilizes the following agency funds:

FRANKLIN/WILLIAMSON COUNTIES
 REGIONAL OFFICE OF EDUCATION NO. 21
 NOTES TO FINANCIAL STATEMENTS – Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

- Distributive – This fund is used to track the flow-through of monies from the Illinois State Board of Education (ISBE) to recipient Franklin and Williamson County schools.
- Franklin County Regional Delivery System (Joint Agreement) – The Franklin County Regional Delivery System consists of six Franklin County high schools whose students generate vocational credits which are reimbursed through a CTE grant and Perkins grant. The systems’ governing board consists of the six superintendents and the ROE Superintendent who hires a system director, special population’s coordinator, and technical preparation director who oversees the compliance with the grants and distribution of grant allocations.

D. Budgetary Data

The grant budgets are submitted to grantor agencies for approval and funding; however, no legal budget is required or adopted. A funding agreement is entered into upon approval of the budget by the grantor. Any subsequent budget revisions must be approved by the grantor. The following accounts prepare budgets:

ROE/ISC Operations	Standards Aligned
21 st Century Community Learning Centers	Technology Challenge Grant
Illinois Violence Prevention	TAOEP
McKinney Education for Homeless Children	Technology – Enhancing Education – Competitive
Regional Safe Schools	Area VI Technology Hub
Title I - Reading First Part B SEA Funds	Community Technology Center
SAE Nutrition Education Loan Library	

Budgets for the other funds of the ROE are not legally required and have not been prepared. Accordingly, no actual to budget comparison is included in the basic financial statements. The actual to budget comparisons are prepared on the modified accrual basis of accounting.

FRANKLIN/WILLIAMSON COUNTIES
 REGIONAL OFFICE OF EDUCATION NO. 21
 NOTES TO FINANCIAL STATEMENTS – Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Cash and Cash Equivalents

Cash consists of demand deposits. For purposes of the Statement of Cash Flows, the ROE considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

F. Investments

Investments are stated at fair value using quoted market prices at June 30, 2006.

G. Due From Other Governments

Due from other governmental units and agencies is reported at gross with no allowance for uncollectibles since management believes the amount of any uncollectible accounts is immaterial.

H. Capital Assets

Capital assets, which include buildings and furniture and equipment, are reported in the applicable governmental column in the government-wide financial statements. General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The ROE records all capital items, which are individually greater than \$500, with a useful life of greater than one year, as fixed assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture and equipment	3-7
Buildings	40

FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
NOTES TO FINANCIAL STATEMENTS – Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. Accrued Absences

Compensated absences do not vest or accumulate and are recorded as expenditures when paid.

J. Fund Equity

In the government-wide financial statements fund equity is displayed in three components:

Unrestricted net assets – All other net assets which do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and related debt.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) outside parties such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources that are subject to change.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, gains, losses, and other changes in fund balance during the reporting period. Actual results could differ from those estimates.

FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
NOTES TO FINANCIAL STATEMENTS – Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L. New Accounting Pronouncements

The GASB has issued the following pronouncements effective for the ROE's fiscal year ending June 30, 2006:

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

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, which amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guides the preparation of statistical sections.

GASB Statement No. 46, *Net Assets Restricted by Legislation – an amendment of GASB Statement No. 34*, which improves the understandability and comparability of net asset information by making the assessment of legal enforceability more uniform across governments.

GASB Statement No. 47, *Accounting for Termination Benefits*, which improves financial reporting by: a) adopting for all voluntary termination benefits recognition requirements similar to those in NCGA Interpretation 8, b) establishing guidance applicable to involuntary termination benefits that require governments, in financial statements prepared on the accrual basis of accounting, to account for the effects of termination benefits in the period in which the employer becomes obligated to provide benefits to terminated employees, and c) elaborating on measurement issues associated with all forms of termination benefits, is effective in two parts. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement 45.

The implementation of the above pronouncements did not have a significant impact on the financial statements.

FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
NOTES TO FINANCIAL STATEMENTS – Continued

2. DEPOSITS AND INVESTMENTS

The *Illinois Compiled Statutes* authorize the ROE to invest in U.S. Government, State of Illinois, and municipal securities; certificates of deposit or time savings deposits insured by the FDIC; mortgage notes, bonds, or debentures issued by the Federal Housing Administration; bonds and other obligations of the Federal National Mortgage Association; commercial paper rated within the three highest classifications by at least two standard rating services; credit union shares; and the Illinois Funds.

Bank Deposits

At June 30, 2006, the government-wide and agency fund's carrying amounts of the ROE's various bank deposits totaled \$470,715 and \$4,831, respectively. The bank balances totaled \$710,473. Included in the bank balance is \$7,577 invested in the Illinois Funds.

Custodial Credit Risk - Custodial credit risk for deposits with financial institutions is the risk that, in the event of bank failure, the ROE's deposits may not be returned to it. The ROE does not have a formal investment policy to guard against custodial credit risk for deposits with financial institutions.

Investments

The ROE does not have a formal investment policy but requires that funds be invested solely in investments authorized by the Public Funds Investment Act, 30 ILCS 235/2.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the ROE will not be able to recover the value of its investments that are in possession of an outside party.

Interest Rate Risk - The ROE invests solely in investments authorized by the Public Funds Investment Act, 30 ILCS 235/2.

Credit Risk - The Illinois Funds (the Fund) is an external investment pool authorized by the Illinois General Assembly. The Fund is exempt from registering with the Securities and Exchange Commission. The Fund is rated by Standard and Poors upon the request of the Fund's management. The most recent money market rating issued by Standard and Poors was AAAM. The fair value of the position in the Illinois Funds Investment Pool is the same as the value of the pool shares. Illinois State Statute provides the Illinois State Treasurer with regulatory oversight over the Pool.

FRANKLIN/WILLIAMSON COUNTIES
 REGIONAL OFFICE OF EDUCATION NO. 21
 NOTES TO FINANCIAL STATEMENTS – Continued

3. COMMON BANK ACCOUNT

Separate bank accounts are not maintained for all Regional Office of Education No. 21 funds. Certain funds maintain their uninvested cash balance in a common checking account with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

4. CAPITAL ASSETS

Governmental Activities

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

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Furniture and equipment	\$2,534,616	\$ 37,405	\$ -	\$ 2,572,021
Building	47,000	-	-	47,000
Less accumulated depreciation for:				
Furniture and equipment	2,192,360	203,595	-	2,395,955
Building	<u>7,050</u>	<u>1,175</u>	<u>-</u>	<u>8,225</u>
Total capital assets, net of accumulated depreciation	<u>\$ 382,206</u>	<u>\$(167,365)</u>	<u>\$ -</u>	<u>\$ 214,841</u>

Depreciation was charged to the Instructional Services activity.

5. EMPLOYEE'S RETIREMENT PLANS

The Regional Office of Education No. 21 participates in two retirement systems: The Teachers' Retirement System of the State of Illinois (TRS) and the Illinois Municipal Retirement Fund (IMRF). Members of TRS include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. Employees, other than teachers, who meet prescribed annual hourly standards, are members of IMRF.

A. 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.

FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
NOTES TO FINANCIAL STATEMENTS – Continued

5. EMPLOYEE'S RETIREMENT PLANS – Continued

A. Teachers' Retirement System of the State of Illinois (TRS) – Continued

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 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 member THIS Fund contribution was 0.6 percent during the year 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 the ROE. 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 \$81,003 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 (\$151,540) and 13.98 percent (\$181,637), respectively.

The ROE makes three other types of employer contributions directly to TRS:

- **2.2 Formula Contributions**
Employers contribute .58 percent of creditable earnings for the 2.2 formula change. Contributions for the year ended June 30, 2006 were \$5,679. Contributions for the years ending June 30, 2005 and June 30, 2004 were \$6,498 and \$6,560, respectively.

FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
NOTES TO FINANCIAL STATEMENTS – Continued

5. EMPLOYEE'S RETIREMENT PLANS – Continued

A. Teachers' Retirement System of the State of Illinois (TRS) – Continued

- Federal and Trust Fund Contributions

When TRS members are paid from federal and trust funds administered by the ROE, 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 from federal funds and trust funds will be the same as the state contribution rate to TRS.

For the year ended June 30, 2006, the employer pension contribution was 7.06 percent of salaries paid from federal and trust funds. For the two years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2006, salaries totaling \$143,547 were paid from federal and trust funds that required employer contributions of \$10,134. For the years ended June 30, 2005, and June 30, 2004, required ROE contributions were \$30,963 and \$40,609, respectively.

- Early Retirement Option

The ROE is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member and under which ERO program the member retires.

Under Public Act 94-0004, a "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007. If members do not meet these conditions, they can retire under the "Modified ERO" program which requires higher member and employer contributions to TRS. Also, under Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service (unless the member qualifies for the Pipeline ERO).

Under the ERO program that expired on June 30, 2005 and the Pipeline ERO, the maximum employer contribution is 100 percent of the member's highest salary used in the final average salary calculation. Under the Modified ERO, the maximum employer contribution is 117.5 percent. Both the 100 percent and 117.5 percent maximums apply when the member is age 55 at retirement.

FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
NOTES TO FINANCIAL STATEMENTS – Continued

5. EMPLOYEE'S RETIREMENT PLANS – Continued

A. Teachers' Retirement System of the State of Illinois (TRS) – Continued

For the year ended June 30, 2006, the ROE paid \$68,569 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 no amounts in employer ERO contributions.

New Employer Contributions

- Salary increases over 6 percent
If employers grant salary increases over 6 percent and those salaries are used to calculate a retiree's final average salary, the employer makes a contribution to TRS. The contribution will cover the difference in the actuarial cost of the benefit based on actual salary increases and the benefit based on salary increase of up to 6 percent.
- Sick leave in excess of normal allotment
If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary used to calculate final average salary, and the TRS total normal cost rate (17.60 percent of pay during the year ended June 30, 2006).

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, Illinois 62794-9253. The most current report is also available on the TRS Web site at www.trs.state.il.us.

FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
NOTES TO FINANCIAL STATEMENTS – Continued

5. EMPLOYEE'S RETIREMENT PLANS – Continued

B. Illinois Municipal Retirement Fund

The ROE's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF) provides retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a financial report that includes financial statements and required supplementary information. That report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by State statute. TAOEP is required to contribute at an actuarially determined rate. The employer rate for calendar year 2005 was 12.38 percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2005 was 5 years.

For December 31, 2005, ROE's annual pension cost of \$54,968 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 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 to 11.6 percent per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3 percent 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 percent corridor. The assumptions used for the 2005 actuarial valuation were based on the 2002-2004 experience study.

FRANKLIN/WILLIAMSON COUNTIES
 REGIONAL OFFICE OF EDUCATION NO. 21
 NOTES TO FINANCIAL STATEMENTS – Continued

5. EMPLOYEE’S RETIREMENT PLANS – Continued

Trend Information – IMRF

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/05	\$ 54,968	100%	\$0
12/31/04	54,804	100	0
12/31/03	46,751	100	0

Digest of Changes

Assumptions

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.

6. INTERFUND RECEIVABLES/PAYABLES

Funds periodically borrow from other funds to cover temporary cash shortages. These loans are usually paid in full within a few months. No interest is charged on the loans outstanding. Following is a summary of the outstanding amounts due from (to) other funds as of June 30, 2006:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ -	\$ 37,148
Education Fund	99,073	49,602
Institute Fund	-	1,708
Non-major Special Revenue Fund	-	10,615
Total	<u>\$ 99,073</u>	<u>\$ 99,073</u>

FRANKLIN/WILLIAMSON COUNTIES
 REGIONAL OFFICE OF EDUCATION NO. 21
 NOTES TO FINANCIAL STATEMENTS – Continued

7. DUE TO/FROM OTHER GOVERNMENTS

A summary of amounts due from other governments from agency, special revenue, and proprietary funds at June 30, 2006 follows:

Education Fund:	
Illinois State Board of Education	\$ 180
Illinois Department of Human Services	14,434
School Districts	22,047
ROE #30	24,671
ROE #2	<u>12,563</u>
Total Education Fund	<u>73,895</u>
Nonmajor Special Revenue Fund:	
ROE #20	1,807
ROE #2	<u>500</u>
Total Nonmajor Special Revenue Fund	<u>2,307</u>
Enterprise Fund:	
School Districts	<u>44,006</u>
Agency Funds:	
Illinois State Board of Education	<u>3,367</u>
Total	<u>\$ 123,575</u>

A summary of amounts due to other governments from agency and special revenue funds at June 30, 2006 follows:

Agency Funds:	
Akin School District	\$ 3,367
Illinois State Board of Education	<u>4,831</u>
Total	<u>\$ 8,198</u>

8. RISK MANAGEMENT

The ROE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Insurance to cover these risks is provided through Franklin and Williamson Counties. Claims from these risks have not exceeded commercial insurance coverage during the current fiscal year and the previous two fiscal years.

FRANKLIN/WILLIAMSON COUNTIES
 REGIONAL OFFICE OF EDUCATION NO. 21
 NOTES TO FINANCIAL STATEMENTS – Continued

9. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Generally accepted accounting principles require disclosure of certain information concerning individual funds (which are presented only in combination on the financial statements). Funds having deficit fund balances and funds which over-expended appropriations during the year are required to be disclosed.

The following funds had accounts with deficit fund balance at June 30, 2006:

General Fund:	
County Budget	\$ 29,832
ROE/ISC Operations	1,828
Working Cash	3,124
Education Fund:	
SAE Nutrition Education Loan Library	4
Scientific Literacy Catalyst	1,502
Title IV – Community Service	10
Math Professional Development	4,641
Technology – Enhancing Education – Competitive	306
Area VI Technology Hub	63
Community Technology Center	2
Learn and Serve	46
Eliminate Digital Divide	46
ROE State Grant	1
Institute Fund:	
Certification	1,708
Institute	2,796
Nonmajor Special Revenue Fund:	
General Education Development	740

10. DISTRIBUTIVE FUND INTEREST

A written agreement between the Regional Office of Education No. 21’s school boards, which receive funds through the Regional Office of Education No. 21, and the Regional Office of Education No. 21, provide for the retention of interest earned on the State Distributive Fund checking account by the Regional Superintendent to be used for office operations. During the year, interest earnings of \$1,593, which had not yet been distributed at June 30, 2006, were recorded in the General Fund.

FRANKLIN/WILLIAMSON COUNTIES
 REGIONAL OFFICE OF EDUCATION NO. 21
 NOTES TO FINANCIAL STATEMENTS – Continued

11. ON-BEHALF SALARIES AND BENEFITS

As previously noted, the State of Illinois makes employer pension contributions on behalf of the ROE. The salaries, benefits, and TRS contributions of the Regional Superintendent and the Assistant Superintendent are paid by the State of Illinois. The amounts paid by the State of Illinois are as follows:

Regional Superintendent salary	\$ 88,539
Regional Superintendent benefits (Includes State paid insurance)	13,981
Assistant Regional Superintendent salary	79,686
Assistant Regional Superintendent benefits	<u>1,155</u>
Total	<u>\$ 183,361</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.

Franklin and Williamson Counties provide the Regional Office of Education No. 21 with staff on behalf of the Regional Office of Education No. 21. The expenditures paid on the Regional Office of Education No. 21's behalf for the year ended June 30, 2006, were as follows:

Salaries	\$ 76,511
Benefits	<u>26,359</u>
Total	<u>\$ 102,870</u>

These awards are included in the financial statements of the General Revenue Fund as on-behalf payments. In addition to the \$183,361 and \$102,870 above, on-behalf payments include \$81,003 for TRS contributions for other employees, for a total of \$367,234 for the year ended June 30, 2006.

FRANKLIN/WILLIAMSON COUNTIES
 REGIONAL OFFICE OF EDUCATION NO. 21
 NOTES TO FINANCIAL STATEMENTS – Continued

12. LEASES

The ROE leased office space for their Herrin satellite location and office equipment during the fiscal year. The ROE is in a 5-year lease agreement that relocated their Marion satellite location to Herrin with \$2,500 monthly rent payments through August 2009. Future minimum rental payments under noncancellable operating leases are as follows:

2007	\$ 31,295
2008	30,000
2009	30,000
2010	<u>5,000</u>
Total	<u>\$ 96,295</u>

Rent expense for the year ended June 30, 2006 was \$44,940.

13. CONTINGENCIES

Federal and State Grants Compliance

In the normal course of operations, the Regional Office of Education No. 21 receives grants from various State and federal agencies. The grant programs are subject to audit by the granting authority, the purpose of which is to ensure compliance with conditions precedent to granting of funds. The Regional Office of Education No. 21 is aware of certain instances of noncompliance with these provisions which may create liabilities when audited by the granting agencies.

Instances of noncompliance noted in the audit for the fiscal years ending June 30, 2003, 2004, and 2005 that have not yet been resolved, include findings 03-03, 04-01, and 05-01 (repeated as current year finding 06-01), 03-04, 04-02, and 05-02 (repeated as current year finding 06-02), 03-10, 04-05, and 05-05 (repeated as current year finding 06-05), and 05-08 (repeated as current year finding 06-08).

Additional instances of noncompliance which may create liabilities and were noted in the current audit for the fiscal year ending June 30, 2006 include 06-03, 06-04, and 06-07.

The ROE has not recorded any liabilities in its financial statements for the year ended June 30, 2006 related to instances of noncompliance detailed in the findings noted above.

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

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
June 30, 2006

(Unaudited - See Accompanying Independent Auditors' Report)

IMRF

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2005	\$ 675,969	\$ 737,133	\$ 61,164	91.70%	\$ 444,004	13.78 %
12/31/2004	648,182	730,857	82,675	88.69%	495,517	16.68 %
12/31/2003	560,337	654,363	94,026	85.63%	499,476	18.82 %
12/31/2002	498,170	560,406	62,236	88.89%	517,681	12.02 %
12/31/2001	435,077	450,254	15,177	96.63%	500,248	3.03 %
12/31/2000	346,026	333,073	(12,953)	103.89%	487,568	(2.66)%

On a market basis, the actuarial value of assets as of December 31, 2005 is \$682,452. On a market basis, the funded ratio would be 92.58%.

SUPPLEMENTAL INFORMATION

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21

**GENERAL FUND
COMBINING SCHEDULE OF ACCOUNTS
June 30, 2006**

	<u>Computer Maintenance</u>	<u>County Budget</u>	<u>ROE/ISC Operations</u>	<u>Working Cash</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 73,381	\$ -	\$ -	\$ -	\$ 73,381
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,890</u>	<u>6,890</u>
TOTAL ASSETS	<u><u>\$ 73,381</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,890</u></u>	<u><u>\$ 80,271</u></u>
 LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 4,526	\$ 4,526
Due to other funds	<u>-</u>	<u>29,832</u>	<u>1,828</u>	<u>5,488</u>	<u>37,148</u>
Total Liabilities	<u>-</u>	<u>29,832</u>	<u>1,828</u>	<u>10,014</u>	<u>41,674</u>
 Fund Balance (Deficit)					
Unreserved and undesignated	<u>73,381</u>	<u>(29,832)</u>	<u>(1,828)</u>	<u>(3,124)</u>	<u>38,597</u>
Total Fund Balance (Deficit)	<u>73,381</u>	<u>(29,832)</u>	<u>(1,828)</u>	<u>(3,124)</u>	<u>38,597</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 73,381</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,890</u></u>	<u><u>\$ 80,271</u></u>

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21

**GENERAL FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2006**

	<u>Computer Maintenance</u>	<u>County Budget</u>	<u>ROE/ISC Operations</u>	<u>Working Cash</u>	<u>Total</u>
REVENUES					
Local sources	\$ 22,362	\$ 4,395	\$ -	\$ 43,052	\$ 69,809
State sources	-	-	66,420	-	66,420
Interest income	-	-	-	8,995	8,995
On-behalf payments	-	-	367,234	-	367,234
Total revenues	<u>22,362</u>	<u>4,395</u>	<u>433,654</u>	<u>52,047</u>	<u>512,458</u>
EXPENDITURES					
Salaries	17,496	-	41,000	2,620	61,116
Benefits	2,293	-	5,485	6,167	13,945
Purchased services	247	8,019	17,898	25,211	51,375
Supplies and materials	1,333	-	2,037	1,961	5,331
Capital outlay	-	-	-	8,905	8,905
Other	-	-	-	13,235	13,235
On-behalf payments	-	-	367,234	-	367,234
Total expenditures	<u>21,369</u>	<u>8,019</u>	<u>433,654</u>	<u>58,099</u>	<u>521,141</u>
Net change in fund balances	993	(3,624)	-	(6,052)	(8,683)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>72,388</u>	<u>(26,208)</u>	<u>(1,828)</u>	<u>2,928</u>	<u>47,280</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 73,381</u>	<u>\$ (29,832)</u>	<u>\$ (1,828)</u>	<u>\$ (3,124)</u>	<u>\$ 38,597</u>

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
ROE/ISC OPERATIONS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND ACCOUNTS
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 66,420	\$ 66,420	\$ 66,420	\$ -
On-behalf payments from State	-	-	367,234	367,234
Total revenues	66,420	66,420	433,654	367,234
EXPENDITURES				
Salaries	41,000	41,000	41,000	-
Benefits	5,040	5,040	5,485	(445)
Purchased services	18,530	18,530	17,898	632
Supplies and materials	1,850	1,850	2,037	(187)
On-behalf payments made to State	-	-	367,234	(367,234)
Total expenditures	66,420	66,420	433,654	(367,234)
Net change in fund balance	\$ -	\$ -	-	\$ -
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			(1,828)	
FUND BALANCE (DEFICIT), END OF YEAR			\$ (1,828)	

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
EDUCATION FUND
COMBINING SCHEDULE OF ACCOUNTS
June 30, 2006

	Career Awareness & Development	21st Century Community Learning Centers	ECHO	Family Violence	Special Education - Grants to States
ASSETS					
Cash and cash equivalents	\$ 8	\$ 3,404	\$ 99,271	\$ 358	\$ 16,958
Due from Illinois State Board of Education	-	-	180	-	-
Due from other governments	-	-	-	-	-
Due from other funds	-	-	99,073	-	-
	<u>\$ 8</u>	<u>\$ 3,404</u>	<u>\$ 198,524</u>	<u>\$ 358</u>	<u>\$ 16,958</u>
Total Assets	<u>\$ 8</u>	<u>\$ 3,404</u>	<u>\$ 198,524</u>	<u>\$ 358</u>	<u>\$ 16,958</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	6,580	-	16,958
	<u>-</u>	<u>-</u>	<u>6,580</u>	<u>-</u>	<u>16,958</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>6,580</u>	<u>-</u>	<u>16,958</u>
Fund Balance (Deficit)					
Unreserved and undesignated	8	3,404	191,944	358	-
	<u>8</u>	<u>3,404</u>	<u>191,944</u>	<u>358</u>	<u>-</u>
Total Fund Balance (Deficit)	<u>8</u>	<u>3,404</u>	<u>191,944</u>	<u>358</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 8</u>	<u>\$ 3,404</u>	<u>\$ 198,524</u>	<u>\$ 358</u>	<u>\$ 16,958</u>

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
EDUCATION FUND
COMBINING SCHEDULE OF ACCOUNTS
June 30, 2006

	Illinois Violence Prevention	Substance Abuse Prevention & Treatment Block Grant	Scientific Literacy Workshop	McKinney Education for Homeless Children	Regional Gifted	Regional Safe Schools	Title I - Reading First Part B SEA
ASSETS							
Cash and cash equivalents	\$ 657	\$ -	\$ 13,715	\$ -	\$ 18,778	\$ 110,149	\$ 2,475
Due from Illinois State Board of Education	-	-	-	-	-	-	-
Due from other governments	-	14,434	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Total Assets	<u>\$ 657</u>	<u>\$ 14,434</u>	<u>\$ 13,715</u>	<u>\$ -</u>	<u>\$ 18,778</u>	<u>\$ 110,149</u>	<u>\$ 2,475</u>
LIABILITIES AND FUND BALANCE							
Liabilities							
Due to other funds	\$ -	\$ 14,434	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	267	-	-	-	-	-	1,775
Total Liabilities	<u>267</u>	<u>14,434</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,775</u>
Fund Balance (Deficit)							
Unreserved and undesignated	390	-	13,715	-	18,778	110,149	700
Total Fund Balance (Deficit)	<u>390</u>	<u>-</u>	<u>13,715</u>	<u>-</u>	<u>18,778</u>	<u>110,149</u>	<u>700</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 657</u>	<u>\$ 14,434</u>	<u>\$ 13,715</u>	<u>\$ -</u>	<u>\$ 18,778</u>	<u>\$ 110,149</u>	<u>\$ 2,475</u>

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
EDUCATION FUND
COMBINING SCHEDULE OF ACCOUNTS
June 30, 2006

	SAE Nutrition Education Loan Library	Scientific Literacy Catalyst	Special Needs	Standards Aligned	Technology Challenge Grant	Tech Prep Academy	Test Center
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ 695	\$ 1,516	\$ -	\$ 2,254	\$ 2,125
Due from Illinois State Board of Education	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	22,047
Due from other funds	-	-	-	-	-	-	-
Total Assets	\$ -	\$ -	\$ 695	\$ 1,516	\$ -	\$ 2,254	\$ 24,172
LIABILITIES AND FUND BALANCE							
Liabilities							
Due to other funds	\$ 4	\$ 1,502	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	1,225	-	-	-
Total Liabilities	4	1,502	-	1,225	-	-	-
Fund Balance (Deficit)							
Unreserved and undesignated	(4)	(1,502)	695	291	-	2,254	24,172
Total Fund Balance (Deficit)	(4)	(1,502)	695	291	-	2,254	24,172
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ -	\$ 695	\$ 1,516	\$ -	\$ 2,254	\$ 24,172

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
EDUCATION FUND
COMBINING SCHEDULE OF ACCOUNTS
June 30, 2006

	<u>Test Cooperative</u>	<u>Title IV - Community Service</u>	<u>TAOEP</u>	<u>Williamson County Film Library</u>	<u>Math Professional Development</u>	<u>Technology - Enhancing Education - Competitive</u>	<u>Area VI Technology Hub</u>
ASSETS							
Cash and cash equivalents	\$ 1,305	\$ -	\$ -	\$ 4,994	\$ -	\$ 13,263	\$ 1,428
Due from Illinois State Board of Education	-	-	-	-	-	-	-
Due from other governments	-	-	24,671	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Total Assets	<u><u>\$ 1,305</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,671</u></u>	<u><u>\$ 4,994</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,263</u></u>	<u><u>\$ 1,428</u></u>
LIABILITIES AND FUND BALANCE							
Liabilities							
Due to other funds	\$ -	\$ 10	\$ 24,671	\$ -	\$ 4,641	\$ -	\$ -
Deferred revenue	-	-	-	-	-	13,569	1,491
Total Liabilities	<u>-</u>	<u>10</u>	<u>24,671</u>	<u>-</u>	<u>4,641</u>	<u>13,569</u>	<u>1,491</u>
Fund Balance (Deficit)							
Unreserved and undesignated	<u>1,305</u>	<u>(10)</u>	<u>-</u>	<u>4,994</u>	<u>(4,641)</u>	<u>(306)</u>	<u>(63)</u>
Total Fund Balance (Deficit)	<u><u>1,305</u></u>	<u><u>(10)</u></u>	<u><u>-</u></u>	<u><u>4,994</u></u>	<u><u>(4,641)</u></u>	<u><u>(306)</u></u>	<u><u>(63)</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,305</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,671</u></u>	<u><u>\$ 4,994</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,263</u></u>	<u><u>\$ 1,428</u></u>

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
EDUCATION FUND
COMBINING SCHEDULE OF ACCOUNTS
June 30, 2006

	Community Technology Center	Learn and Serve	System of Support	Eliminate Digital Divide	ROE State Grant	Formula Ed Tech	Team Nutrition Grant	Total
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,043	\$ 299,396
Due from Illinois State Board of Education	-	-	-	-	-	-	-	180
Due from other governments	-	-	12,563	-	-	-	-	73,715
Due from other funds	-	-	-	-	-	-	-	99,073
Total Assets	\$ -	\$ -	\$ 12,563	\$ -	\$ -	\$ -	\$ 6,043	\$ 472,364
LIABILITIES AND FUND BALANCE								
Liabilities								
Due to other funds	\$ 2	\$ 46	\$ 4,245	\$ 46	\$ 1	\$ -	\$ -	\$ 49,602
Deferred revenue	-	-	-	-	-	-	-	41,865
Total Liabilities	2	46	4,245	46	1	-	-	91,467
Fund Balance (Deficit)								
Unreserved and undesignated	(2)	(46)	8,318	(46)	(1)	-	6,043	380,897
Total Fund Balance (Deficit)	(2)	(46)	8,318	(46)	(1)	-	6,043	380,897
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ -	\$ 12,563	\$ -	\$ -	\$ -	\$ 6,043	\$ 472,364

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21

**EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2006**

	Career Awareness & Development	21st Century Community Learning Centers	ECHO	Family Violence	Special Education - Grants to States
REVENUES					
Local sources	\$ -	\$ 4,902	\$ 594	\$ 285	\$ -
State sources	-	-	1,029,651	-	8,945
Federal sources	-	231,000	23,268	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	-	235,902	1,053,513	285	8,945
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES					
Salaries	-	152,026	573,572	-	-
Benefits	-	22,692	179,271	-	-
Purchased services	-	48,649	142,654	203	-
Supplies and materials	-	11,359	16,663	-	-
Capital outlay	-	-	1,094	-	-
Other	-	-	635	-	-
Transfers - payments to other governmental units	-	-	78,500	-	8,945
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	-	234,726	992,389	203	8,945
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	1,176	61,124	82	-
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	8	2,228	130,820	276	-
FUND BALANCE (DEFICIT), END OF YEAR	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 8	\$ 3,404	\$ 191,944	\$ 358	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21

**EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2006**

	Illinois Violence Prevention	Substance Abuse Prevention & Treatment Block Grant	Scientific Literacy Workshop	McKinney Education for Homeless Children	Regional Gifted	Regional Safe Schools	Title I - Reading First Part B SEA
REVENUES							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 9,486	\$ 900	\$ 500
State sources	19,262	119,168	-	-	-	228,193	-
Federal sources	-	68,266	-	193,079	-	-	18,425
Total revenues	<u>19,262</u>	<u>187,434</u>	<u>-</u>	<u>193,079</u>	<u>9,486</u>	<u>229,093</u>	<u>18,925</u>
EXPENDITURES							
Salaries	12,595	123,171	-	58,161	-	171,960	6,750
Benefits	1,293	28,088	-	13,885	-	32,988	1,131
Purchased services	4,569	34,480	-	9,343	-	25,230	10,544
Supplies and materials	805	1,495	-	3,965	-	4,302	-
Capital outlay	-	200	-	-	-	11,093	-
Other	-	-	-	-	8,753	-	-
Transfers - payments to other governmental units	-	-	-	107,725	-	-	-
Total expenditures	<u>19,262</u>	<u>187,434</u>	<u>-</u>	<u>193,079</u>	<u>8,753</u>	<u>245,573</u>	<u>18,425</u>
Net change in fund balances	-	-	-	-	733	(16,480)	500
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>390</u>	<u>-</u>	<u>13,715</u>	<u>-</u>	<u>18,045</u>	<u>126,629</u>	<u>200</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 390</u>	<u>\$ -</u>	<u>\$ 13,715</u>	<u>\$ -</u>	<u>\$ 18,778</u>	<u>\$ 110,149</u>	<u>\$ 700</u>

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21

**EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2006**

	SAE Nutrition Education Loan Library	Scientific Literacy Catalyst	Special Needs	Standards Aligned	Technology Challenge Grant	Tech Prep Academy	Test Center
REVENUES							
Local sources	\$ -	\$ -	\$ -	\$ 274	\$ -	\$ 2,450	\$ 15,017
State sources	-	-	-	-	-	-	-
Federal sources	70,000	-	-	10,575	8,720	-	-
Total revenues	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>10,849</u>	<u>8,720</u>	<u>2,450</u>	<u>15,017</u>
EXPENDITURES							
Salaries	25,080	-	-	7,500	5,319	-	18,583
Benefits	5,403	-	-	1,039	1,389	-	5,028
Purchased services	30,206	-	-	2,036	2,012	520	137
Supplies and materials	9,312	-	-	-	-	17	-
Capital outlay	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	10,140
Transfers - payments to other governmental units	-	-	-	-	-	-	-
Total expenditures	<u>70,001</u>	<u>-</u>	<u>-</u>	<u>10,575</u>	<u>8,720</u>	<u>537</u>	<u>33,888</u>
Net change in fund balances	(1)	-	-	274	-	1,913	(18,871)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>(3)</u>	<u>(1,502)</u>	<u>695</u>	<u>17</u>	<u>-</u>	<u>341</u>	<u>43,043</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ (4)</u>	<u>\$ (1,502)</u>	<u>\$ 695</u>	<u>\$ 291</u>	<u>\$ -</u>	<u>\$ 2,254</u>	<u>\$ 24,172</u>

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21

**EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2006**

	Test Cooperative	Title IV - Community Service	TAOEP	Williamson County Film Library	Math Professional Development	Technology - Enhancing Education - Competitive	Area VI Technology Hub
REVENUES							
Local sources	\$ -	\$ -	\$ -	\$ 3,886	\$ 11,400	\$ -	\$ 44,552
State sources	-	-	47,100	-	-	-	-
Federal sources	-	-	-	-	-	489,481	-
Total revenues	-	-	47,100	3,886	11,400	489,481	44,552
EXPENDITURES							
Salaries	-	-	39,918	2,000	6,333	16,701	38,614
Benefits	-	-	7,037	204	898	4,342	2,546
Purchased services	-	-	145	99	11,400	324,465	1,628
Supplies and materials	-	-	-	-	-	27,053	1,764
Capital outlay	-	-	-	-	-	33,165	-
Other	-	-	-	-	-	-	-
Transfers - payments to other governmental units	-	-	-	-	-	84,061	-
Total expenditures	-	-	47,100	2,303	18,631	489,787	44,552
Net change in fund balances	-	-	-	1,583	(7,231)	(306)	-
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	1,305	(10)	-	3,411	2,590	-	(63)
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 1,305</u>	<u>\$ (10)</u>	<u>\$ -</u>	<u>\$ 4,994</u>	<u>\$ (4,641)</u>	<u>\$ (306)</u>	<u>\$ (63)</u>

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21

EDUCATION FUND ACCOUNTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 For the Year Ended June 30, 2006

	Community Technology Center	Learn and Serve	System of Support	Eliminate Digital Divide	ROE State Grant	Formula Ed Tech	Team Nutrition Grant	Total
REVENUES								
Local sources	\$ -	\$ -	\$ 2,480	\$ -	\$ -	\$ -	\$ 6,043	\$ 102,769
State sources	-	-	26,479	1,109	-	-	-	1,479,907
Federal sources	52,299	-	85,578	-	-	9,000	-	1,259,691
Total revenues	52,299	-	114,537	1,109	-	9,000	6,043	2,842,367
EXPENDITURES								
Salaries	14,432	-	29,816	-	-	-	-	1,302,531
Benefits	2,535	-	4,132	46	-	-	-	313,947
Purchased services	10,854	-	83,777	8	-	9,000	-	751,959
Supplies and materials	1,103	-	-	-	-	-	-	77,838
Capital outlay	23,377	-	-	1,101	-	-	-	70,030
Other	-	-	-	-	-	-	-	19,528
Transfers - payments to other governmental units	-	-	-	-	-	-	-	279,231
Total expenditures	52,301	-	117,725	1,155	-	9,000	-	2,815,064
Net change in fund balances	(2)	-	(3,188)	(46)	-	-	6,043	27,303
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	-	(46)	11,506	-	(1)	-	-	353,594
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ (2)</u>	<u>\$ (46)</u>	<u>\$ 8,318</u>	<u>\$ (46)</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 6,043</u>	<u>\$ 380,897</u>

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
21st CENTURY COMMUNITY LEARNING CENTERS
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Local sources	\$ -	\$ 4,902	\$ 4,902
Federal sources	<u>231,000</u>	<u>231,000</u>	<u>-</u>
Total revenues	<u>231,000</u>	<u>235,902</u>	<u>4,902</u>
EXPENDITURES			
Salaries	151,908	152,026	(118)
Benefits	24,481	22,692	1,789
Purchased services	42,884	48,649	(5,765)
Supplies and materials	<u>11,727</u>	<u>11,359</u>	<u>368</u>
Total expenditures	<u>231,000</u>	<u>234,726</u>	<u>(3,726)</u>
Net change in fund balance	<u>\$ -</u>	1,176	<u>\$ 1,176</u>
FUND BALANCE, BEGINNING OF YEAR		<u>2,228</u>	
FUND BALANCE, END OF YEAR		<u>\$ 3,404</u>	

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
ILLINOIS VIOLENCE PREVENTION
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
State sources	\$ 19,500	\$ 19,262	\$ (238)
Total revenues	<u>19,500</u>	<u>19,262</u>	<u>(238)</u>
 EXPENDITURES			
Salaries	12,595	12,595	-
Benefits	1,257	1,293	(36)
Purchased services	5,224	4,569	655
Supplies and materials	424	805	(381)
Total expenditures	<u>19,500</u>	<u>19,262</u>	<u>238</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
 FUND BALANCE, BEGINNING OF YEAR		<u>390</u>	
 FUND BALANCE, END OF YEAR		<u>\$ 390</u>	

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
MCKINNEY EDUCATION FOR HOMELESS CHILDREN
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Federal sources	\$ 193,079	\$ 193,079	\$ -
Total revenues	<u>193,079</u>	<u>193,079</u>	<u>-</u>
 EXPENDITURES			
Salaries	58,161	58,161	-
Benefits	14,006	13,885	121
Purchased services	8,672	9,343	(671)
Supplies and materials	4,516	3,965	551
Transfers - payments to other governmental units	<u>107,724</u>	<u>107,725</u>	<u>(1)</u>
Total expenditures	<u>193,079</u>	<u>193,079</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
 FUND BALANCE, BEGINNING OF YEAR		<u>-</u>	
 FUND BALANCE, END OF YEAR		<u>\$ -</u>	

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
REGIONAL SAFE SCHOOLS
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources	\$ -	\$ 900	\$ 900
State sources	158,892	228,193	69,301
Total revenues	158,892	229,093	70,201
 EXPENDITURES			
Salaries	126,473	171,960	(45,487)
Benefits	25,844	32,988	(7,144)
Purchased services	6,575	25,230	(18,655)
Supplies and materials	-	4,302	(4,302)
Capital outlay	-	11,093	(11,093)
Total expenditures	158,892	245,573	(86,681)
Net change in fund balance	\$ -	(16,480)	\$ (16,480)
FUND BALANCE, BEGINNING OF YEAR		126,629	
FUND BALANCE, END OF YEAR		\$ 110,149	

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
TITLE I - READING FIRST PART B SEA FUNDS
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Local sources	\$ -	\$ 500	\$ 500
Federal sources	<u>30,884</u>	<u>18,425</u>	<u>(12,459)</u>
Total revenues	<u>30,884</u>	<u>18,925</u>	<u>(11,959)</u>
 EXPENDITURES			
Salaries	8,000	6,750	1,250
Benefits	1,002	1,131	(129)
Purchased services	7,770	10,544	(2,774)
Supplies and materials	12,800	-	12,800
Capital outlay	<u>1,312</u>	<u>-</u>	<u>1,312</u>
Total expenditures	<u>30,884</u>	<u>18,425</u>	<u>12,459</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>500</u>	<u><u>\$ 500</u></u>
 FUND BALANCE, BEGINNING OF YEAR		<u>200</u>	
 FUND BALANCE, END OF YEAR		<u><u>\$ 700</u></u>	

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
SAE NUTRITION EDUCATION LOAN LIBRARY
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Federal sources	\$ 70,000	\$ 70,000	\$ -
Total revenues	<u>70,000</u>	<u>70,000</u>	<u>-</u>
 EXPENDITURES			
Salaries	25,080	25,080	-
Benefits	4,950	5,403	(453)
Purchased services	30,530	30,206	324
Supplies and materials	9,440	9,312	128
Total expenditures	<u>70,000</u>	<u>70,001</u>	<u>(1)</u>
Net change in fund balance	<u>\$ -</u>	(1)	<u>\$ (1)</u>
 FUND BALANCE (DEFICIT), BEGINNING OF YEAR		<u>(3)</u>	
 FUND BALANCE (DEFICIT), END OF YEAR		<u>\$ (4)</u>	

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
STANDARDS ALIGNED
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Local sources	\$ -	\$ 274	\$ 274
Federal sources	<u>15,000</u>	<u>10,575</u>	<u>(4,425)</u>
Total revenues	<u>15,000</u>	<u>10,849</u>	<u>(4,151)</u>
 EXPENDITURES			
Salaries	10,000	7,500	2,500
Benefits	-	1,039	(1,039)
Purchased services	<u>5,000</u>	<u>2,036</u>	<u>2,964</u>
Total expenditures	<u>15,000</u>	<u>10,575</u>	<u>4,425</u>
Net change in fund balance	<u><u>\$ -</u></u>	274	<u><u>\$ 274</u></u>
 FUND BALANCE, BEGINNING OF YEAR		<u>17</u>	
 FUND BALANCE, END OF YEAR		<u><u>\$ 291</u></u>	

See accompanying Independent Auditors' Report.

**FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
TECHNOLOGY CHALLENGE GRANT
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Federal sources	<u>\$ 221,031</u>	<u>\$ 8,720</u>	<u>\$ (212,311)</u>
Total revenues	<u>221,031</u>	<u>8,720</u>	<u>(212,311)</u>
 EXPENDITURES			
Salaries	125,100	5,319	119,781
Benefits	40,032	1,389	38,643
Purchased services	42,899	2,012	40,887
Supplies and materials	1,000	-	1,000
Capital outlay	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Total expenditures	<u>221,031</u>	<u>8,720</u>	<u>212,311</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
 FUND BALANCE, BEGINNING OF YEAR		<u>-</u>	
 FUND BALANCE, END OF YEAR		<u>\$ -</u>	

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
TAOEP
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
State sources	\$ 47,100	\$ 47,100	\$ -
Total revenues	<u>47,100</u>	<u>47,100</u>	<u>-</u>
 EXPENDITURES			
Salaries	39,918	39,918	-
Benefits	6,918	7,037	(119)
Purchased services	264	145	119
Total expenditures	<u>47,100</u>	<u>47,100</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
 FUND BALANCE, BEGINNING OF YEAR		<u>-</u>	
 FUND BALANCE, END OF YEAR		<u>\$ -</u>	

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
TECHNOLOGY - ENHANCING EDUCATION - COMPETITIVE
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Federal sources	\$ 844,795	\$ 489,481	\$ (355,314)
Total revenues	<u>844,795</u>	<u>489,481</u>	<u>(355,314)</u>
 EXPENDITURES			
Salaries	42,334	16,701	25,633
Benefits	9,237	4,342	4,895
Purchased services	613,724	324,465	289,259
Supplies and materials	38,000	27,053	10,947
Capital outlay	51,500	33,165	18,335
Transfers - payments to other governmental units	<u>90,000</u>	<u>84,061</u>	<u>5,939</u>
Total expenditures	<u>844,795</u>	<u>489,787</u>	<u>355,008</u>
Net change in fund balance	<u>\$ -</u>	<u>(306)</u>	<u>\$ (306)</u>
 FUND BALANCE, BEGINNING OF YEAR		<u>-</u>	
FUND BALANCE (DEFICIT), END OF YEAR		<u>\$ (306)</u>	

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
AREA VI TECHNOLOGY HUB
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Local sources	\$ 24,128	\$ 44,552	\$ 20,424
Total revenues	<u>24,128</u>	<u>44,552</u>	<u>20,424</u>
 EXPENDITURES			
Salaries	17,000	38,614	(21,614)
Benefits	3,500	2,546	954
Purchased services	3,000	1,628	1,372
Supplies and material	<u>628</u>	<u>1,764</u>	<u>(1,136)</u>
Total expenditures	<u>24,128</u>	<u>44,552</u>	<u>(20,424)</u>
Net change in fund balance	<u><u>\$ -</u></u>	-	<u><u>\$ -</u></u>
 FUND BALANCE (DEFICIT), BEGINNING OF YEAR		<u>(63)</u>	
 FUND BALANCE (DEFICIT), END OF YEAR		<u><u>\$ (63)</u></u>	

See accompanying Independent Auditors' Report.

**FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
COMMUNITY TECHNOLOGY CENTER
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Federal sources	<u>\$ 121,713</u>	<u>\$ 52,299</u>	<u>\$ (69,414)</u>
Total revenues	<u>121,713</u>	<u>52,299</u>	<u>(69,414)</u>
 EXPENDITURES			
Salaries	53,276	14,432	38,844
Benefits	8,855	2,535	6,320
Purchased services	21,766	10,854	10,912
Supplies and materials	6,266	1,103	5,163
Capital outlay	<u>31,550</u>	<u>23,377</u>	<u>8,173</u>
Total expenditures	<u>121,713</u>	<u>52,301</u>	<u>69,412</u>
Net change in fund balance	<u>\$ -</u>	(2)	<u>\$ (2)</u>
 FUND BALANCE, BEGINNING OF YEAR		<u>-</u>	
 FUND BALANCE (DEFICIT), END OF YEAR		<u>\$ (2)</u>	

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21

**INSTITUTE FUND
COMBINING SCHEDULE OF ACCOUNTS
June 30, 2006**

	<u>Certification</u>	<u>Institute</u>	<u>ISO Workshops</u>	<u>Network Internet</u>	<u>Local Workshop Prevention</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ -	\$ 3,664	\$ 13,472	\$ 69,460	\$ 336	\$ 86,932
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 3,664</u>	<u>\$ 13,472</u>	<u>\$ 69,460</u>	<u>\$ 336</u>	<u>\$ 86,932</u>
LIABILITIES AND FUND BALANCE						
Liabilities						
Due to other funds	\$ 1,708	\$ -	\$ -	\$ -	\$ -	\$ 1,708
Deferred revenue	-	6,460	-	-	-	6,460
Total Liabilities	<u>1,708</u>	<u>6,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,168</u>
Fund Balance (Deficit)						
Unreserved and undesignated	<u>(1,708)</u>	<u>(2,796)</u>	<u>13,472</u>	<u>69,460</u>	<u>336</u>	<u>78,764</u>
Total Fund Balance (Deficit)	<u>(1,708)</u>	<u>(2,796)</u>	<u>13,472</u>	<u>69,460</u>	<u>336</u>	<u>78,764</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ -</u>	<u>\$ 3,664</u>	<u>\$ 13,472</u>	<u>\$ 69,460</u>	<u>\$ 336</u>	<u>\$ 86,932</u>

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21

**INSTITUTE FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2006**

	<u>Certification</u>	<u>Institute</u>	<u>ISO Workshops</u>	<u>Network Internet</u>	<u>Local Workshop Prevention</u>	<u>Total</u>
REVENUES						
Local sources	\$ 5,262	\$ 21,587	\$ 2,319	\$ 8,263	\$ -	\$ 37,431
Total revenues	<u>5,262</u>	<u>21,587</u>	<u>2,319</u>	<u>8,263</u>	<u>-</u>	<u>37,431</u>
EXPENDITURES						
Salaries	-	-	-	27,500	-	27,500
Benefits	-	228	-	5,452	-	5,680
Purchased services	-	11,462	-	2,643	-	14,105
Supplies and materials	-	248	-	-	-	248
Other	5,352	-	7,311	4,753	-	17,416
Total expenditures	<u>5,352</u>	<u>11,938</u>	<u>7,311</u>	<u>40,348</u>	<u>-</u>	<u>64,949</u>
Net change in fund balances	(90)	9,649	(4,992)	(32,085)	-	(27,518)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>(1,618)</u>	<u>(12,445)</u>	<u>18,464</u>	<u>101,545</u>	<u>336</u>	<u>106,282</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u><u>\$ (1,708)</u></u>	<u><u>\$ (2,796)</u></u>	<u><u>\$ 13,472</u></u>	<u><u>\$ 69,460</u></u>	<u><u>\$ 336</u></u>	<u><u>\$ 78,764</u></u>

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2006**

	<u>Bus Driver Permit</u>	<u>General Education Development</u>	<u>Supervisory</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,099	\$ 7,568	\$ -	\$ 8,667
Due from other governments	-	2,307	-	2,307
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 1,099</u></u>	<u><u>\$ 9,875</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,974</u></u>
 LIABILITIES AND FUND BALANCE				
Liabilities				
Due to other funds	\$ -	\$ 10,615	\$ -	\$ 10,615
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance (Deficit)				
Unreserved and undesignated	1,099	(740)	-	359
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance (Deficit)	<u><u>1,099</u></u>	<u><u>(740)</u></u>	<u><u>-</u></u>	<u><u>359</u></u>
 TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	 <u><u>\$ 1,099</u></u>	 <u><u>\$ 9,875</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 10,974</u></u>

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2006**

	Bus Driver Permit	General Education Development	Supervisory	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Local sources	\$ 1,610	\$ 12,336	\$ -	\$ 13,946
State sources	600	-	2,000	2,600
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	2,210	12,336	2,000	16,546
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES				
Purchased services	-	2,412	-	2,412
Supplies and materials	-	1,385	2,000	3,385
Other	1,614	-	-	1,614
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	1,614	3,797	2,000	7,411
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net change in fund balances	596	8,539	-	9,135
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>503</u>	<u>(9,279)</u>	<u>-</u>	<u>(8,776)</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 1,099</u>	<u>\$ (740)</u>	<u>\$ -</u>	<u>\$ 359</u>

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21

**GENERAL EDUCATION DEVELOPMENT FUND
COMBINING BALANCE SHEET BY SUB-ACCOUNT
June 30, 2006**

	<u>GED</u>	<u>Scoring</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 7,568	\$ -	\$ 7,568
Due from other governments	<u>2,307</u>	<u>-</u>	<u>2,307</u>
TOTAL ASSETS	<u><u>\$ 9,875</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,875</u></u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Due to other funds	<u>\$ -</u>	<u>\$ 10,615</u>	<u>\$ 10,615</u>
Total Liabilities	<u>-</u>	<u>10,615</u>	<u>10,615</u>
 Fund Balance (Deficit)			
Unreserved and undesignated	<u>9,875</u>	<u>(10,615)</u>	<u>(740)</u>
Total Fund Balance (Deficit)	<u>9,875</u>	<u>(10,615)</u>	<u>(740)</u>
 TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	 <u><u>\$ 9,875</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 9,875</u></u>

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21

**GENERAL EDUCATION DEVELOPMENT FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES BY SUB-ACCOUNT
 For the Year Ended June 30, 2006**

	<u>GED</u>	<u>Scoring</u>	<u>Total</u>
REVENUES			
Local sources	<u>\$ 11,154</u>	<u>\$ 1,182</u>	<u>\$ 12,336</u>
Total revenues	<u>11,154</u>	<u>1,182</u>	<u>12,336</u>
EXPENDITURES			
Purchased services	2,412	-	2,412
Supplies and materials	<u>1,385</u>	<u>-</u>	<u>1,385</u>
Total expenditures	<u>3,797</u>	<u>-</u>	<u>3,797</u>
Net change in fund balances	7,357	1,182	8,539
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>2,518</u>	<u>(11,797)</u>	<u>(9,279)</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u><u>\$ 9,875</u></u>	<u><u>\$ (10,615)</u></u>	<u><u>\$ (740)</u></u>

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
ALL AGENCY FUNDS
June 30, 2006

	Distributive	Franklin County Regional Delivery System	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 4,831	\$ 4,831
Due from Illinois State Board of Education	3,367	-	3,367
TOTAL ASSETS	\$ 3,367	\$ 4,831	\$ 8,198
LIABILITIES			
Liabilities			
Due to other governments	\$ 3,367	\$ 4,831	\$ 8,198
TOTAL LIABILITIES	\$ 3,367	\$ 4,831	\$ 8,198

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2006

<u>DISTRIBUTIVE</u>	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
ASSETS				
Cash and cash equivalents	\$ 35,439	\$ 6,502,179	\$ 6,537,618	\$ -
Due from Illinois State Board of Education	<u>-</u>	<u>3,367</u>	<u>-</u>	<u>3,367</u>
TOTAL ASSETS	<u>\$ 35,439</u>	<u>\$ 6,505,546</u>	<u>\$ 6,537,618</u>	<u>\$ 3,367</u>
LIABILITIES				
Due to other governments	<u>\$ 35,439</u>	<u>\$ 6,505,546</u>	<u>\$ 6,537,618</u>	<u>\$ 3,367</u>
TOTAL LIABILITIES	<u>\$ 35,439</u>	<u>\$ 6,505,546</u>	<u>\$ 6,537,618</u>	<u>\$ 3,367</u>
 <u>FRANKLIN COUNTY REGIONAL DELIVERY SYSTEM</u>				
ASSETS				
Cash and cash equivalents	\$ 3,332	\$ 1,499	\$ -	\$ 4,831
Due from Illinois State Board of Education	<u>4,533</u>	<u>-</u>	<u>4,533</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 7,865</u>	<u>\$ 1,499</u>	<u>\$ 4,533</u>	<u>\$ 4,831</u>
LIABILITIES				
Due to other governments	<u>\$ 7,865</u>	<u>\$ -</u>	<u>\$ 3,034</u>	<u>\$ 4,831</u>
TOTAL LIABILITIES	<u>\$ 7,865</u>	<u>\$ -</u>	<u>\$ 3,034</u>	<u>\$ 4,831</u>
 <u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 38,771	\$ 6,503,678	\$ 6,537,618	\$ 4,831
Due from Illinois State Board of Education	<u>4,533</u>	<u>3,367</u>	<u>4,533</u>	<u>3,367</u>
TOTAL ASSETS	<u>\$ 43,304</u>	<u>\$ 6,507,045</u>	<u>\$ 6,542,151</u>	<u>\$ 8,198</u>
LIABILITIES				
Due to other governments	<u>\$ 43,304</u>	<u>\$ 6,505,546</u>	<u>\$ 6,540,652</u>	<u>\$ 8,198</u>
TOTAL LIABILITIES	<u>\$ 43,304</u>	<u>\$ 6,505,546</u>	<u>\$ 6,540,652</u>	<u>\$ 8,198</u>

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21

**FRANKLIN COUNTY REGIONAL DELIVERY SYSTEM ACCOUNTS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2006**

	<u>Title IIC Secondary</u>	<u>Elementary Career Development</u>	<u>Perkins Title III Tech. Prep. Federal</u>	<u>Regional Vocation Delivery</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	<u>\$ 932</u>	<u>\$ 835</u>	<u>\$ 1,565</u>	<u>\$ 1,499</u>	<u>\$ 4,831</u>
TOTAL ASSETS	<u><u>\$ 932</u></u>	<u><u>\$ 835</u></u>	<u><u>\$ 1,565</u></u>	<u><u>\$ 1,499</u></u>	<u><u>\$ 4,831</u></u>
LIABILITIES					
Liabilities					
Due to other governments	<u>\$ 932</u>	<u>\$ 835</u>	<u>\$ 1,565</u>	<u>\$ 1,499</u>	<u>\$ 4,831</u>
TOTAL LIABILITIES	<u><u>\$ 932</u></u>	<u><u>\$ 835</u></u>	<u><u>\$ 1,565</u></u>	<u><u>\$ 1,499</u></u>	<u><u>\$ 4,831</u></u>

See accompanying Independent Auditors' Report.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21

**SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHERS
For the Year Ended June 30, 2006**

Acct. No.		Franklin Co. ROE No. 21	Christopher District 99	Akin District 91	Logan District 110	Ewing District 115	John A. Logan College	Total
State Funds								
3001	General State Aid - Section 18-8	\$ 1,024,473	\$ 2,372,781	\$ 554,614	\$ -	\$ 101,414	\$ 72,000	\$ 4,125,282
3105	Sp Ed - Extra Ordinary	-	58,619	20,805	2,874	8,810	-	91,108
3110	Sp Ed - Personnel	-	56,614	8,100	-	-	-	64,714
3120	Sp Ed - Orphanage Individual	-	29,874	-	-	14,778	-	44,652
3220	Voc Ed - Secondary Program Impr.	234,980	-	-	-	-	-	234,980
3235	Voc Ed - Agriculture Education	12,497	-	-	-	-	-	12,497
3360	State Free Lunch and Breakfast	2,564	7,895	1,847	102	309	-	12,717
3365	Breakfast Incentive	139	95	40	-	-	-	274
3370	Drivers Education	-	4,208	-	-	-	-	4,208
3500	Transportation - Regular	-	23,662	50,497	-	-	-	74,159
3510	Transportation - Special Education	-	46,291	1,999	-	-	-	48,290
3520	ROE School Bus Driver Training	600	-	-	-	-	-	600
3696	Regional Safe Schools	158,892	-	-	-	-	-	158,892
3715	K-6 Reading Improvement	-	17,480	6,038	-	-	-	23,518
3730	ROE/ESC Operations	66,420	-	-	-	-	-	66,420
3745	Supervisory Expense	2,000	-	-	-	-	-	2,000
3775	ADA Safety Education Block Grant	-	12,660	3,829	-	-	-	16,489
	Total State Funds	1,502,565	2,630,179	647,769	2,976	125,311	72,000	4,980,800
Federal Funds								
4100	Title VI Formula	-	3,180	385	-	1,191	-	4,756
4107	Title VI Rural Ed Initiative Expense	-	12,993	-	-	-	-	12,993
4210	National School Lunch Program	22,428	95,093	20,821	-	-	-	138,342
4220	School Breakfast Program	13,473	28,463	9,273	-	-	-	51,209
4227	Nutritional Education and Training	70,000	-	-	-	-	-	70,000
4300	Title I Low Income	-	229,378	39,602	-	3,668	-	272,648
4334	Title I Reading 1st	-	-	70,000	-	-	-	70,000
4337	Title I Reading 1st Part B Sea Expense	18,532	-	-	-	-	-	18,532
4400	Drug Free Schools Formula	-	6,446	807	-	1,627	-	8,880
4421	Title IV - 21st Century Comm. Learning Centers	231,000	110,670	-	-	-	-	341,670
4745	VE Perkins - Title IIC Secondary	91,076	-	-	-	-	-	91,076
4910	Learn and Serve America	301	-	-	-	-	-	301
4920	McKinney Education for Homeless	193,079	-	-	-	-	-	193,079
4932	Title II Teacher Quality Expense	-	39,332	4,344	-	-	-	43,676
4972	Tech Enhancing Ed Competitive Exp	231,540	-	-	-	-	-	231,540
4999	Other Federal Programs Expense	-	8,116	-	-	-	-	8,116
	Total Federal Funds	871,429	533,671	145,232	-	6,486	-	1,556,818
	Total Distributions	\$ 2,373,994	\$ 3,163,850	\$ 793,001	\$ 2,976	\$ 131,797	\$ 72,000	\$ 6,537,618

FEDERAL COMPLIANCE SECTION

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006**

Federal Grantor/Pass-Through Grantor, Program or Cluster Title	CFDA Number	ISBE Project # (1st 8 digits) or Contract #	Federal Expenditures 7/1/05 - 6/30/06
U.S. DEPARTMENT OF AGRICULTURE:			
Passed through Illinois State Board of Education (ISBE): National School Lunch Program (ECHO)	10.555	06-4210-00	\$ 14,464
Passed through ISBE: School Breakfast Program (ECHO)	10.553	06-4220-00	8,804
Passed through ISBE: SAE Nutrition Education Loan Library	10.560	06-4227-00	70,000
U.S. DEPARTMENT OF JUSTICE :			
Passed through Illinois Department of Human Services: Enforcing Underage Drinking Laws Program (Substance Abuse Prevention & Treatment Block Grant)	16.727	611G6200000	8,000
U.S. DEPARTMENT OF EDUCATION:			
Passed through Herrin Community School District No. 4 Title I - Grants to Local Educational Agencies (Formula Ed Tech)		06-4300-00	5,000
Passed through Regional Office of Education No. 02: Title I - Grants to Local Educational Agencies (System of Support)		N/A	83,717
Total Title I - Grants to Local Educational Agencies	84.010A		88,717
Passed through ISBE: McKinney Education for Homeless Children	84.196A	06-4920-00	193,079
Passed through ISBE: (M) 21st Century Community Learning Centers	84.287C	06-4421-05	231,000
Passed through Regional Office of Education No. 25: Title V - Innovative Programs (Standards Aligned)		06-4999-00	10,575
Title V - Innovative Programs (System of Support)		N/A	1,861
Total Title V - Innovative Programs	84.298A		12,436
Technology Challenge Grant	84.303A	R303A980314-02	8,720
Passed through ISBE:			
(M) Technology - Enhancing Education - Competitive		06-4972-01	111,753
(M) Technology - Enhancing Education - Competitive		05-4972-00	190,095
(M) Technology - Enhancing Education - Competitive		05-4972-01	187,633
Passed through Herrin Community School District No. 4			
(M) Technology - Enhancing Education - Competitive (Formula Ed Tech)		06-4971-00	1,200
Total Technology - Enhancing Education - Competitive	84.318X		490,681

(Continued)

U.S. DEPARTMENT OF EDUCATION - CONTINUED:

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

FRANKLIN/WILLIAMSON COUNTIES REGIONAL OFFICE OF EDUCATION NO. 21

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006**

Federal Grantor/Pass-Through Grantor, Program or Cluster Title	CFDA Number	ISBE Project # (1st 8 digits) or Contract #	Federal Expenditures 7/1/05 - 6/30/06
Passed through Herrin Community School District No. 4 Rural Education (Formula Ed Tech)	84.358B	06-4107-00	\$ <u>1,500</u>
Passed through ISBE: Title I - Reading First Part B SEA Funds	84.357A	05-4337-02	<u>18,425</u>
Community Technology Center	84.341A	V341A030102	<u>52,299</u>
Passed through Herrin Community School District No. 4 Improving Teacher Quality State Grants (Formula Ed Tech)	84.367A	06-4932-00	<u>1,300</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through Illinois Department of Human Services: Substance Abuse Prevention & Treatment Block Grant	93.959	611G6200000	<u>60,266</u>
Total Expenditures of Federal Awards			<u>\$ 1,259,691</u>
(M) Program was audited as a major program.			(Concluded)

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

FRANKLIN/WILLIAMSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 21
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2006

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Regional Office of Education No. 21 and is presented 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 on this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. DESCRIPTION OF FEDERAL PROGRAMS AUDITED AS A MAJOR PROGRAM

The major federal programs of the Franklin/Williamson Counties Regional Office of Education No. 21 are the 21st Century Community Learning Centers (CFDA # 84.287C) and the Technology – Enhancing Education – Competitive grant (CFDA # 84.318X). The 21st Century Community Learning Centers funds are used to provide after-school academic enrichment opportunities for children, particularly students who attend high-poverty and low-performing schools. The Technology – Enhancing Education – Competitive grant is a grant awarded to provide scientific literacy workshops to local teachers.

3. SUBRECIPIENTS

Of the expenditures in this schedule, the Franklin/Williamson Counties Regional Office of Education No. 21 provided awards to subrecipients in the amount of \$35,220 under the Technology – Enhancing Education – Competitive program, CFDA # 84.318X.

4. INSURANCE

Regional Office of Education No. 21 did not receive any Federal insurance as part of any Federal award during the year ended June 30, 2006.

5. LOANS AND LOAN GUARANTEES

Regional Office of Education No. 21 had no loans or loan guarantees as of or for the year ended June 30, 2006.

6. NON-MONETARY FEDERAL AWARDS

Regional Office of Education No. 21 did not receive any non-monetary federal awards as of or for the year ended June 30, 2006.