

**State of Illinois
BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
FINANCIAL AUDIT
(In Accordance with the Single Audit Act
and OMB Circular A-133)
For the Year Ended June 30, 2006**

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

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46**

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**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46**

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**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46**

OFFICIALS

Regional Superintendent
(current and during the audit period)

Honorable Stephen Breese

Assistant Regional Superintendent
(current and during the audit period)

Mr. Robert Nicolet

Offices are located at:

110 N. West Street
Jacksonville, IL 62650

121 East Second Street
Beardstown, IL 62618

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46**

COMPLIANCE REPORT SUMMARY

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

AUDITOR'S REPORTS

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	5	3
Repeated audit findings	3	1
Prior recommendations implemented or not repeated	0	1

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)		
06-1	12	Controls Over Compliance with Laws and Regulations
06-2	15	Inaccurate Expenditure Report
06-3	16	Improper Expenditure Classification
06-4	17	Reconciliation of Pooled Cash Account
06-5	18	Undercollateralization of Bank Accounts

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

There were no findings for the year ended June 30, 2006

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

None

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46**

COMPLIANCE REPORT SUMMARY

INFORMAL EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference on September 29, 2006. Attending were Honorable Stephen Breese, Regional Superintendent, Kris Lantz-Kaufman, Bookkeeper, and Joe Hoerschelmann, auditor from Clifton Gunderson LLP. Responses to the recommendations were provided by Honorable Stephen Breese, Regional Superintendent on March 13, 2007.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46**

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 was performed by Clifton Gunderson LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's basic financial statements.

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46, as of and for the year ended June 30, 2006, which collectively comprise the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 29, 2006 on our consideration of the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46'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 27 through 38 and 63 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Clinton, Iowa
September 29, 2006

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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46, as of and for the year ended June 30, 2006, which collectively comprise the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's basic financial statements and have issued our report thereon dated September 29, 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 Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06-2, 06-3, 06-4, and 06-5.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46'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 06-1, 06-2, and 06-3.

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

Clifton Henderson LLP

Clinton, Iowa
September 29, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE FOR EACH PROGRAM DETERMINED TO
BE MAJOR BY THE ILLINOIS STATE BOARD OF EDUCATION
IN THEIR MONITORING OF FEDERAL PROGRAMS**

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 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 Brown, Cass, Morgan and Scott Counties Regional Office of Education #46'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 Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's management. Our responsibility is to express an opinion on the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46'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 criteria as required by the *Guidelines to Auditing and Reporting for a Regional Office of Education*. Those standards and criteria 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 Brown, Cass, Morgan and Scott Counties Regional Office of Education #46'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 Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's compliance with those requirements.

In our opinion, the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 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 Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 criteria as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Clifton Gundersen LLP

Clinton, Iowa
September 29, 2006

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006**

Section I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: _____ Unqualified _____

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>93.558</u>	<u>TANF - Youth Programs</u>
_____	_____
_____	_____
_____	_____

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

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

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006**

Section II: Findings Related to the Basic Financial Statements:

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

Criteria/specific requirements:

- A. The Illinois School Code 105 ILCS 5/3-14.11 states that the Regional Superintendent shall examine at least once each year all books, accounts, and vouchers of every school treasurer in his educational service region, and if he finds any irregularities in them, to report them at once, in writing, to the trustees in Class II county school units, to the respective school boards of those school districts which form a part of a Class II county school unit but which are not subject to the jurisdiction of the trustees of schools of any township in which any such district is located, or to the respective school boards of the district in Class I county school units whose duty it shall be to take immediately such action as the case demands. (This mandate has existed in its current form since at least 1953.)
- B. The Illinois School Code 105 ILCS 5/3-5 states that the county superintendent shall present under oath or affirmation to the county board at its meeting in September and as nearly quarterly thereafter as it may have regular or special meetings, a report of all his acts as county superintendent, including a list of all the schools visited with the dates of visitation. (This mandate has existed in its current form since at least 1953.)
- C. The Illinois School Code 105 ILCS 5/3-14.5 requires the Regional Superintendent to visit each public school in the county at least once a year, noting the methods of instruction, the branches taught, the text-books used, and the discipline, government and general condition of the schools. (This mandate has existed in its current form since at least 1953.)

Conditions:

- A. The Regional Office of Education #46 is not examining all books, accounts, and vouchers of every school treasurer in his educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school districts in his region. In addition, the Regional Office reviews any exceptions or findings in audit reports for each of the school districts. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

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

- B. The Regional Office of Education #46 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all his acts including a list of all the schools visited and dates of visitation.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006**

Section II: Findings Related to the Basic Financial Statements:

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

- C. The Regional Office of Education #46 performs compliance inspections for each public school in his region on a rotational basis every 3 years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.

Effects:

The Regional Office of Education #46 did not comply with statutory requirements.

Cause:

- A. According to Regional Office officials, this mandate is not possible due to the time requirement and knowledge necessary for a thorough review of every school districts' books, accounts, and vouchers. The Regional Superintendent instead relies on audit opinions provided by the independent auditors of each school district.
- B. The Regional Superintendent presents at the county board meeting annually, not quarterly.
- C. The Regional Superintendent stated that the periodic compliance visits completed at the public schools were being done on a three year rotating basis.

Recommendation:

- A. The Regional Office of Education #46 should comply with the requirements of 105 ILCS 5/3-14.11.
- B. The Regional Superintendent should attend the county board meeting in September and quarterly thereafter to report all of his acts, including a list of the all the schools visited and dates of visitation as required by 105 ILCS 5/3-5.
- C. The Regional Superintendent should visit each public school annually to review all items required by 105 ILCS 5/3-14.5.

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

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006**

Section II: Findings Related to the Basic Financial Statements:

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

Management's Responses:

- A. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 5/3-7 of the Illinois School Code is a more current, thorough, and comprehensive requirement concerning a public school district's financial transactions. As a result, the two parties working together will seek legislation to repeal section 5/3-14.11 of the Illinois School Code.
- B. The Regional Superintendent currently submits an annual report to the three County Boards. However, to comply with the statute, the Regional Superintendent will present the affirmed report on a quarterly basis.
- C. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 1.20 of the 23rd Illinois Administrative Code is a more current, thorough, and comprehensive requirement concerning visitation of public schools by the Regional Superintendent. As a result, the two parties working together will seek legislation to repeal section 5/3-14.5 of the Illinois School Code.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 06-2 - Inaccurate Expenditure Report (Repeat from 2005 - No. 05-2, 2004 - No. 04-2, and 2003 - No. 03-2)

Criteria/Specific Requirement:

Amounts submitted on grant expenditure reports to the Illinois State Board of Education should be in agreement with the general ledger.

Condition:

Regional Office of Education #46 included \$2,151 that was related to the 2005 Truants Alternative and Optional Education grant on the 2006 grant expenditure report.

Effect:

The expenditure report that was submitted did not accurately reflect the activity of the period.

Cause:

This condition exists because the Regional Office of Education #46 erroneously included a 2005 expense as an expense of the 2006 grant.

Auditor's Recommendation:

The Regional Office of Education #46's management should review expenditure reports and their supporting documentation prior to their actual filing to ensure accuracy.

Management's Response:

The Regional Office of Education #46's management will review expenditure reports and their supporting documentation prior to their filing.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 06-3 - Improper Expenditure Classification

Criteria/Specific Requirement:

Title 23 Illinois Administrative Code: Education and Cultural Resources, Chapter I, Section 525.160, *Fiscal Procedures* requires the Regional Superintendent of Schools in each Regional Office of Education to maintain accurate financial records in accordance with 23 Illinois Administrative Code 110 *Program Accounting Manual and Regional Office of Education (ROE) Accounting Manual*, as applicable. The manual requires expenditures to be identified by function account code and object account code. Generally Accepted Accounting Principles (GAAP) requires the recognition and reporting of revenues and expenditures separately.

Condition:

In our analytical tests of expenditures, we noted that the Regional Office of Education #46 records all expenditures of the Identix Fingerprinting Fund as a debit to revenue accounts instead of being recorded as expenditures by function and by object.

Effect:

Transactions are not being recorded in accordance with the Illinois Program Accounting Manual and ROE Accounting Manual. Financial reports prepared by the ROE require additional analysis in order to be comparable and consistent with reporting requirements and GAAP. Revenues and expenditures for the affected fund were understated by \$4,550; however, the net effect is zero.

Cause:

The Regional Office of Education #46's management stated that for internal reporting purposes, expenditures were debited against revenues so that the general ledger would only show the net amount available for spending.

Auditor's Recommendation:

The Regional Office of Education #46 should utilize the system of accounts promulgated by the Illinois State Board of Education as required by the Illinois Administrative Code and by the ROE Accounting Manual.

Management's Response:

The Regional Office of Education #46 will implement the system of accounts promulgated by the Illinois State Board of Education as required by the Illinois Administrative Code and by the ROE Accounting Manual.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 06-4 - Reconciliation of Pooled Cash Account

Criteria/Specific Requirement:

The total of all funds in a pooled cash account should equal the total of all transactions in the general ledger.

Condition:

Regional Office of Education #46 maintains a pooled cash account for many of their funds. The total of the transactions within the funds was not equal to the reconciled cash account by \$10,141. When a pooled cash account is maintained, the total of the cash in each fund combined should be in agreement with the total of all the transactions.

Effect:

This condition could cause inaccurate expenditure reports and grant reporting information. In addition, exclusion of account balances and errors results in incomplete and inaccurate financial statements.

Cause:

The cause of this condition was not reconciling the total cash among all the pooled cash account funds monthly. The accounting software also made several errors in recording various transactions, making it more difficult to reconcile the account.

Auditor's Recommendation:

The Regional Office of Education #46 should ensure that all individual pooled cash account transactions are reconciled on a monthly basis to the total of all transactions in the pooled cash account.

Management's Response:

The pooled cash account funds will be reconciled on a monthly basis which will correct the situation in the future. The accounting software will also be replaced beginning July 1, 2007.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 06-5 - Undercollateralization of Bank Accounts (Repeat from 2005 - No.05-3)

Criteria/Specific Requirement:

The Public Funds Deposit Act (30 ILCS 225/1) gives the authorization for deposits in excess of the federally insured limit to be covered by pledged collateral held by the financial institutions' trust departments in the Regional Office of Education No. 46's name. In addition, prudent business practice requires that all cash and investments held by financial institutions for the ROE be adequately covered by depository insurance or collateral.

Condition:

Regional Office of Education #46 does not have sufficient collateral in place to insure their cash balances against possible loss. At year end, \$18,675 of Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's bank balance of \$1,125,021 was exposed to custodial credit risk.

Effect:

Failure to secure full collateral on cash and investment balances may result in monetary losses to the ROE.

Cause:

This condition exists because the Regional Office of Education #46 does not carry sufficient collateral to cover the amount of cash it has on deposit in its bank accounts.

Auditor's Recommendation:

The Regional Office of Education #46 should monitor collateral requirements for its bank accounts. The ROE should consider making a formal arrangement with the bank to automatically pledge securities for any deposit amounts in excess of the FDIC insured amount.

Management's Response:

The Regional Office of Education #46 will monitor its bank balances on a monthly basis to make sure there is adequate collateralization to protect its cash and investments from potential loss.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006**

Section III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

None

REPORTABLE CONDITIONS:

None

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2006**

FINDING NO. 06-1 - Controls Over Compliance with Laws and Regulations

Conditions:

- A. The Regional Office of Education #46 is not examining all books, accounts, and vouchers of every school treasurer in his educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school districts in his region. In addition, the Regional Office reviews any exceptions or findings in audit reports for each of the school districts. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

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

- B. The Regional Office of Education #46 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all his acts including a list of all the schools visited and dates of visitation.
- C. The Regional Office of Education #46 performs compliance inspections for each public school in his region on a rotational basis every 3 years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.

Plans:

- A. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 5/3-7 of the Illinois School Code is a more current, thorough, and comprehensive requirement concerning a public school district's financial transactions. As a result, the two parties working together will seek legislation to repeal section 5/3-14.11 of the Illinois School Code.
- B. The Regional Superintendent currently submits an annual report to the three County Boards. However, to comply with the statute, the Regional Superintendent will present the affirmed report on a quarterly basis.
- C. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 1.20 of the 23rd Illinois Administrative Code is a more current, thorough, and comprehensive requirement concerning visitation of public schools by the Regional Superintendent. As a result, the two parties working together will seek legislation to repeal section 5/3-14.5 of the Illinois School Code.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2006**

FINDING NO. 06-1 - Controls Over Compliance with Laws and Regulations (Continued)

Anticipated Date of Completion:

As soon as possible

Name of Contact Person:

Honorable Stephen Breese, Regional Superintendent

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2006**

FINDING NO. 06-2 - Inaccurate Expenditure Report

Condition:

Regional Office of Education #46 included \$2,151 that was related to the 2005 Truants Alternative and Optional Education grant on the 2006 grant expenditure report.

Plan:

The Regional Office of Education #46's management will review expenditure reports and their supporting documentation prior to their filing.

Anticipated Date of Completion:

Immediately

Name of Contact Person:

Honorable Stephen Breese, Regional Superintendent

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2006**

FINDING NO. 06-3 - Improper Expenditure Classification

Condition:

In our analytical tests of expenditures, we noted that the Regional Office of Education #46 records all expenditures of the Identix Fingerprinting Fund as a debit to revenue accounts instead of being recorded as expenditures by function and by object.

Plan:

The Regional Office of Education #46 will implement the system of accounts promulgated by the Illinois State Board of Education as required by the Illinois Administrative Code and by the ROE Accounting Manual.

Anticipated Date of Completion:

Immediately

Name of Contact Person:

Honorable Stephen Breese, Regional Superintendent

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2006**

FINDING NO. 06-4 - Reconciliation of Pooled Cash Account

Condition:

Regional Office of Education #46 maintains a pooled cash account for many of their funds. The total of the transactions within the funds was not equal to the reconciled cash account by \$10,141. When a pooled cash account is maintained, the total of the cash in each fund combined should be in agreement with the total of all the transactions.

Plan:

The pooled cash account funds will be reconciled on a monthly basis which will correct the situation in the future. The accounting software will also be replaced beginning July 1, 2007.

Anticipated Date of Completion:

Immediately

Name of Contact Person:

Honorable Stephen Breese, Regional Superintendent

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2006**

FINDING NO. 06-5 - Undercollateralization of Bank Accounts

Condition:

Regional Office of Education #46 does not have sufficient collateral in place to insure their cash balances against possible loss. At year end, \$18,675 of Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's bank balance of \$1,125,021 was exposed to custodial credit risk.

Plan:

The Regional Office of Education #46 will monitor its bank balances on a monthly basis to make sure there is adequate collateralization to protect its cash and investments from potential loss.

Anticipated Date of Completion:

Immediately

Name of Contact Person:

Honorable Stephen Breese, Regional Superintendent

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2006**

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
05-1	Controls Over Compliance with Laws and Regulations	Repeated
05-2	Inaccurate Expenditure Report	Repeated
05-3	Undercollateralization of Bank Accounts	Repeated

MANAGEMENT'S DISCUSSION AND ANALYSIS

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 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 Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$387,835 in fiscal year 2005 to \$450,731 in fiscal year 2006, and General Fund expenditures increased from \$391,425 in fiscal year 2005 to \$438,522 in fiscal year 2006. Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's General Fund balance increased from \$142,093 in fiscal year 2005 to \$166,813 in fiscal year 2006, a 17.4% increase. The increase in General Fund's fund balance was primarily attributable to an increase in support from the four Counties.
- The Education Fund revenues decreased from \$1,115,492 in fiscal year 2005 to \$631,868 in fiscal year 2006. Expenditures decreased from \$1,066,342 in fiscal year 2005 to \$562,872 in fiscal year 2006. This decrease is primarily due to the major decrease in the 21st Century program. Revenue for this program was \$592,296 in 2005 and only \$82,326 in 2006. This program is in the process of ending during the current year.
- The Alternative Schools Fund revenues increased from \$463,441 in fiscal year 2005 to \$503,069 in fiscal year 2006, and Alternative Schools Fund expenditures increased from \$403,476 in fiscal year 2005 to \$511,710 in fiscal year 2006. This increase was primarily attributable to an increase in the amount of General State Aid received.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

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 Brown, Cass, Morgan and Scott Counties Regional Office of Education #46'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 Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 as a whole and present an overall view of Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's finances.

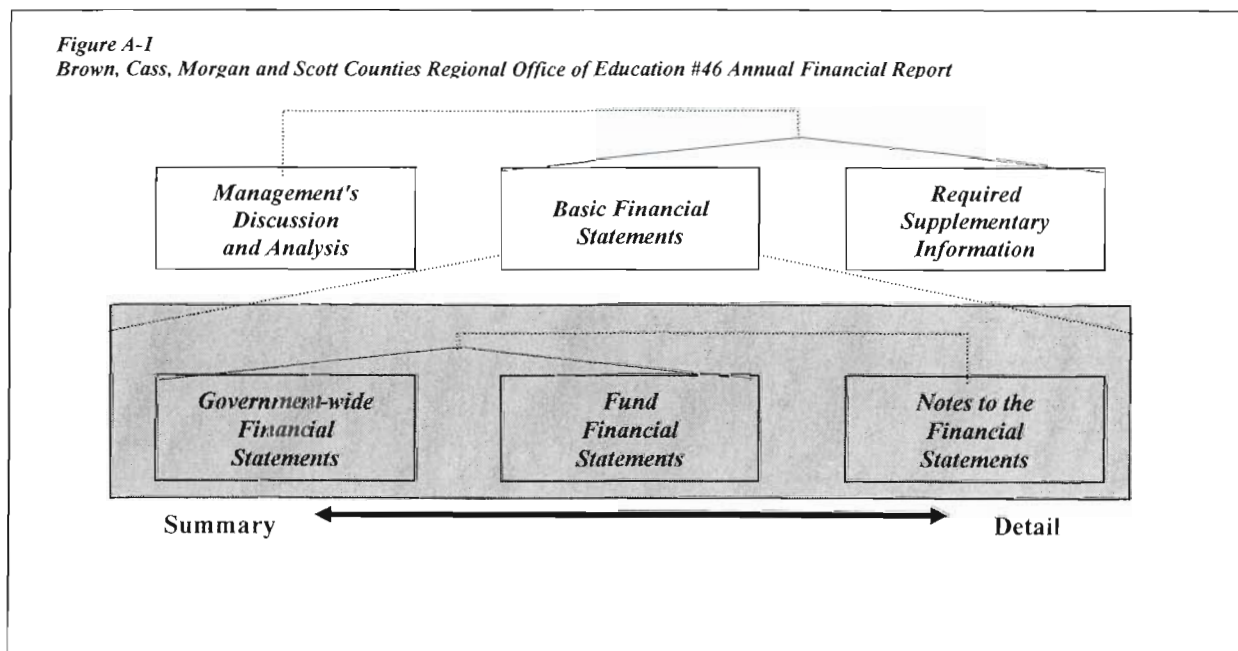
The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

Required Supplementary Information presents the Schedule of Funding Progress - IMRF which is required supplementary information.

Other Supplementary Information provides detailed information about the General Fund, Education Fund, Alternative Schools Fund and the nonmajor special revenue funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.



**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

Summarized below are the major features of Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's financial statements, including the portion of Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's activities they cover and the types of information they contain.

	<u>Government-wide Statements</u>	<u>Governmental Funds</u>
Scope	Entire Brown, Cass, Morgan and Scott Counties Regional Office of Education #46	The activities of Brown, Cass, Morgan and Scott Counties Regional Office of Education, such as the General and Education Funds
Required financial statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due during the year or soon thereafter

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

**REPORTING BROWN, CASS, MORGAN AND SCOTT COUNTIES REGIONAL
OFFICE OF EDUCATION #46'S FINANCIAL ACTIVITIES**

Government-wide Financial Statements

The government-wide financial statements report information about Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's net assets and how they have changed. Net assets - the difference between Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's assets and liabilities - are one way to measure Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's financial health or financial position. Over time, increases or decreases in Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's net assets are an indicator of whether financial position is improving or deteriorating. To assess Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's overall health, additional non-financial factors, such as changes in Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's community and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's activities are in one category:

- *Governmental activities:* Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's basic services are included here, such as grants and teacher certifications. Federal and state grants and local programs finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's funds, focusing on its most significant or "major" funds - not Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 as a whole. Funds are accounting devices Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law. Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 establishes other funds to control and manage money for particular purposes, such as accounting for special revenue funds, or to show that it is properly using certain revenues, such as federal grants.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 has one kind of fund:

1) *Governmental funds*: Most of Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's programs.

Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's governmental funds include the General Fund, Education Fund, Alternative Schools Fund, Institute Fund, Bus Driver Fund, General Education Development Fund, Supervisory Fund, Film Coop Fund, WCI Schoolmasters Association Fund, Identix Fingerprinting Fund, Project Inquire Fund, Job Bank Fund, ROE Program Support Fund, and Workshop Fund.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of Brown, Cass, Morgan and Scott Counties Regional Office of Education #46, assets exceeded liabilities by \$1,058,257 as of June 30, 2006.

A portion of Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's net assets (1.4%) reflects its investment in capital assets (e.g., furniture and equipment), less any related debt used to acquire those assets that is still outstanding. Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 did not use any debt to finance the purchase of capital assets. The government-wide statements also include \$31,162 in liabilities consisting of accounts payable, amounts due to other governments, and deferred revenue.

Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

The following table presents a summary of Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's net assets for the fiscal years ended June 30, 2006 and 2005.

2006

	Governmental Activities
Current assets	\$ 1,074,631
Capital assets, net of accumulated depreciation	<u>14,788</u>
Total assets	<u>1,089,419</u>
Current liabilities	<u>31,162</u>
Net assets	
Invested in capital assets, net of related debt	14,788
Unrestricted	1,007,022
Restricted for teacher professional development	<u>36,447</u>
Total net assets	<u>\$ 1,058,257</u>

2005

	Governmental Activities
Current assets	\$ 1,073,855
Capital assets, net of accumulated depreciation	<u>11,480</u>
Total assets	<u>1,085,335</u>
Current liabilities	<u>106,008</u>
Net assets	
Invested in capital assets, net of related debt	11,480
Unrestricted	942,885
Restricted for teacher professional development	<u>24,962</u>
Total net assets	<u>\$ 979,327</u>

The largest portion of Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's net assets is cash that is to be used to finance operations. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements were \$1,007,022 and \$942,885 for 2006 and 2005, respectively. In addition, net assets related to the Institute Fund are considered restricted for teacher professional development.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

Changes in net assets

Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's total revenue for the fiscal year ended June 30, 2006 was \$1,657,556. The total cost of all programs and services was \$1,578,626. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2006 and 2005.

2006

	<u>Governmental Activities</u>
Revenues	
Program revenues	
Operating grants and contributions	\$ 1,068,083
General revenues	
Local sources	300,374
State sources	59,682
On-behalf payments	229,417
Total revenues	<u>1,657,556</u>
Expenses	
Education	
Salaries	735,655
Benefits	166,196
Purchased services	227,753
Supplies and materials	99,423
Capital outlay	-
Payments to other governments	114,064
Depreciation expense	6,118
Administrative	
On-behalf payments	229,417
Total expenses	<u>1,578,626</u>
Change in net assets	78,930
Net assets, beginning of year	<u>979,327</u>
Ending net assets	<u>\$ 1,058,257</u>

Operating grants and contributions account for 64.4% of the total revenue. Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's expenses primarily relate to education which account for 85.5% of the total expenses.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

2005

	<u>Governmental Activities</u>
Revenues	
Program revenues	
Operating grants and contributions	\$ 1,071,063
General revenues	
Local sources	235,968
State sources	481,466
On-behalf payments	<u>220,702</u>
Total revenues	<u>2,009,199</u>
Expenses	
Education	
Salaries	1,081,574
Benefits	241,207
Purchased services	249,375
Supplies and materials	108,157
Capital outlay	2,701
Payments to other governments	11,890
Depreciation expense	7,029
Administrative	
On-behalf payments	<u>220,702</u>
Total expenses	<u>1,922,635</u>
Change in net assets	86,564
Net assets, beginning of year	<u>892,763</u>
Ending net assets	<u><u>\$ 979,327</u></u>

Operating grants and contributions account for 53.3% of the total revenue. Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's expenses primarily relate to education which account for 88.5% of the total expenses.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

Governmental Activities

Revenues for governmental activities were \$1,657,556 and \$2,009,199 and expenses were \$1,578,626 and \$1,922,635 for 2006 and 2005, respectively.

The following tables present the cost of Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's functional governmental activities. The tables also show each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's community by each of these functions.

2006

	<u>Total Expenses</u>	<u>Net (Expenses) Revenues</u>
Education		
Salaries	\$ 735,655	\$ (154,708)
Benefits	166,196	(34,951)
Purchased services	227,753	(47,896)
Supplies and materials	99,423	(20,909)
Capital outlay	-	7,444
Payments to other governments	114,064	(23,988)
Depreciation expense	6,118	(6,118)
Administrative		
On-behalf payments	<u>229,417</u>	<u>(229,417)</u>
Total expenses	<u>\$ 1,578,626</u>	<u>\$ (510,543)</u>

2005

	<u>Total Expenses</u>	<u>Net (Expenses) Revenues</u>
Education		
Salaries	\$ 1,081,574	\$ (421,473)
Benefits	241,207	(99,307)
Purchased services	249,375	(63,541)
Supplies and materials	108,157	(30,187)
Capital outlay	2,701	(1,869)
Payments to other governments	11,890	(7,464)
Depreciation expense	7,029	(7,029)
Administrative		
On-behalf payments	<u>220,702</u>	<u>(220,702)</u>
Total expenses	<u>\$ 1,922,635</u>	<u>\$ (851,572)</u>

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

- The cost of all governmental activities was \$1,578,626 and \$1,922,635 for 2006 and 2005, respectively.
- Operating grants and contributions subsidized certain governmental activities with grants and contributions and other local revenues of \$1,068,083 and \$1,071,063 for 2006 and 2005, respectively.

INDIVIDUAL FUND ANALYSIS

As previously noted, Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 as a whole is reflected in its governmental funds, as well. As Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 completed the year, its governmental funds reported a combined fund balance of \$1,043,469, above last year's ending fund balance of \$967,847.

Governmental Fund Highlights

- Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's General Fund's fund balance increased from \$142,093 in fiscal year 2005 to \$166,813 in fiscal year 2006. The increase in General Fund's fund balance was primarily attributable to an increase in support from the four Counties.
- The Education Fund balance increased from \$85,979 in fiscal year 2005 to \$107,170 in fiscal year 2006. This increase was due in part to an increase in support from the local school districts. Also, during the year, there was a larger decrease in the expenditures than in the revenues, making the fund balance increase.
- The Alternative Schools Fund balance increased from \$692,701 in fiscal year 2005 to \$718,549 in fiscal year 2006. This increase was primarily attributable to an increase in the amount of General State Aid received.

BUDGETARY HIGHLIGHTS

Over the course of the year, Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 amended several of its Education Fund annual budgets. More information about budgeting can be found in the Summary of Significant Accounting Policies on page 53 of these financial statements.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

CAPITAL ASSETS

As of June 30, 2006, Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 had invested \$73,586 in capital assets, including furniture and equipment. This amount represents a net increase prior to depreciation of \$9,426 from last year. Total depreciation expense for the year was \$6,118.

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

	Governmental Activities
Furniture and equipment	\$ <u>14,788</u>

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

	Governmental Activities
Furniture and equipment	\$ <u>11,480</u>

Additional information on Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's capital assets can be found in Note 2 on page 55 of this report.

ECONOMIC FACTORS BEARING ON BROWN, CASS, MORGAN AND SCOTT COUNTIES REGIONAL OFFICE OF EDUCATION #46'S FUTURE

At the time of this report, it appears that the future funding level will be consistent with the current year level. It will be important to the Regional Office that the Federal government continue to fund their 'No Child Left Behind' (NCLB) initiatives into the future as many of the programs administered by the Regional Office are centered around these initiatives.

CONTACTING BROWN, CASS, MORGAN AND SCOTT COUNTIES REGIONAL OFFICE OF EDUCATION #46'S FINANCIAL MANAGEMENT

This financial report is designed to provide Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's citizens, taxpayers, and customers with a general overview of Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's finances and to demonstrate Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Business and Finance Office, Brown, Cass, Morgan and Scott Counties Regional Office of Education #46, 110 N. West Street, Jacksonville, Illinois 62650.

BASIC FINANCIAL STATEMENTS

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current:	
Cash and cash equivalents	\$ 1,064,181
Due from other governments	10,450
Total current assets	<u>1,074,631</u>
Noncurrent:	
Capital assets, being depreciated, net	<u>14,788</u>
Total assets	<u>1,089,419</u>
LIABILITIES	
Current:	
Accounts payable	18,472
Due to other governments	661
Deferred revenue	12,029
Total liabilities	<u>31,162</u>
NET ASSETS	
Investment in capital assets, net of related debt	14,788
Unrestricted	1,007,022
Restricted for teacher professional development	<u>36,447</u>
Total net assets	<u><u>\$ 1,058,257</u></u>

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

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

EXHIBIT B

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets Primary Government Governmental Activities</u>
Primary government:			
Governmental activities:			
Education:			
Salaries	\$ 735,655	\$ 580,947	\$ (154,708)
Benefits	166,196	131,245	(34,951)
Purchased services	227,753	179,857	(47,896)
Supplies and materials	99,423	78,514	(20,909)
Capital outlay	-	7,444	7,444
Payments to other governments	114,064	90,076	(23,988)
Depreciation expense	6,118	-	(6,118)
Administrative:			
On-behalf payments	229,417	-	(229,417)
Total primary government	<u>\$ 1,578,626</u>	<u>\$ 1,068,083</u>	<u>(510,543)</u>
	General revenues:		
	Local sources		300,374
	State sources		59,682
	On-behalf payments		<u>229,417</u>
	Total general revenues		<u>589,473</u>
	CHANGE IN NET ASSETS		78,930
	NET ASSETS, BEGINNING OF YEAR		<u>979,327</u>
	NET ASSETS, END OF YEAR		<u>\$ 1,058,257</u>

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

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006**

EXHIBIT C

	General Fund	Education Fund	Alternative Schools Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 166,813	\$ 128,032	\$ 718,549	\$ 50,787	\$ 1,064,181
Due from other governments	-	10,300	-	150	10,450
TOTAL ASSETS	\$ 166,813	\$ 138,332	\$ 718,549	\$ 50,937	\$ 1,074,631
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ 18,472	\$ -	\$ -	\$ 18,472
Due to other governments	-	661	-	-	661
Deferred revenue	-	12,029	-	-	12,029
Total liabilities	-	31,162	-	-	31,162
FUND BALANCES					
Unreserved, reported in:					
General fund	166,813	-	-	-	166,813
Special revenue funds	-	107,170	718,549	50,937	876,656
Total fund balances	166,813	107,170	718,549	50,937	1,043,469
TOTAL LIABILITIES AND FUND BALANCES	\$ 166,813	\$ 138,332	\$ 718,549	\$ 50,937	\$ 1,074,631

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

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
 REGIONAL OFFICE OF EDUCATION #46
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 June 30, 2006**

Total fund balances - governmental funds (page 42)	\$ 1,043,469
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>14,788</u>
Net assets of governmental activities (page 40)	<u><u>\$ 1,058,257</u></u>

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

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

EXHIBIT E

	<u>General Fund</u>	<u>Education Fund</u>	<u>Alternative Schools Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Local sources	\$ 221,314	\$ 3,050	\$ 8,722	\$ 67,288	\$ 300,374
State sources	-	358,280	478,948	4,600	841,828
Federal sources	-	270,538	15,399	-	285,937
On-behalf payments	229,417	-	-	-	229,417
Total revenues	<u>450,731</u>	<u>631,868</u>	<u>503,069</u>	<u>71,888</u>	<u>1,657,556</u>
EXPENDITURES:					
Current:					
Education:					
Salaries	125,322	219,478	387,755	3,100	735,655
Benefits	40,505	57,535	67,963	193	166,196
Purchased services	36,503	110,471	42,243	38,536	227,753
Supplies and materials	5,168	57,555	11,134	25,566	99,423
Capital outlay	1,607	3,923	2,615	1,281	9,426
Payments to other governments	-	113,910	-	154	114,064
On-behalf payments	229,417	-	-	-	229,417
Total expenditures	<u>438,522</u>	<u>562,872</u>	<u>511,710</u>	<u>68,830</u>	<u>1,581,934</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,209</u>	<u>68,996</u>	<u>(8,641)</u>	<u>3,058</u>	<u>75,622</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	12,511	-	34,489	805	47,805
Transfers out	-	(47,805)	-	-	(47,805)
Total other financing sources (uses)	<u>12,511</u>	<u>(47,805)</u>	<u>34,489</u>	<u>805</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	24,720	21,191	25,848	3,863	75,622
FUND BALANCE, BEGINNING OF YEAR	<u>142,093</u>	<u>85,979</u>	<u>692,701</u>	<u>47,074</u>	<u>967,847</u>
FUND BALANCE, END OF YEAR	<u>\$ 166,813</u>	<u>\$ 107,170</u>	<u>\$ 718,549</u>	<u>\$ 50,937</u>	<u>\$ 1,043,469</u>

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

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
 REGIONAL OFFICE OF EDUCATION #46
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2006**

Net change in fund balances (page 44) \$ 75,622

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	\$ 9,426		
Depreciation expense	(6,118)		3,308

Change in net assets of governmental activities (page 41) \$ 78,930

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

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006**

The Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 is an entity that is a result of two Educational Service Regions becoming a Regional Office of Education as of August 7, 1995. The Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 operates under the School Code (105 ILCS 5/3 and 5/3A). The Regional Office of Education #46 encompasses the Brown, Cass, Morgan and Scott Counties, Illinois. A Regional Superintendent of Schools serves as Chief Administrative Officer of the Regional Office of Education #46 and is elected pursuant to 105 ILCS 5/3 and 5/3A of the School Code. The principal financial duty of the Regional Superintendent is to receive and distribute monies due to school districts from general State aid, State categorical grants, and various other sources.

The functions of the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 include, but are not limited to the following:

- processing teachers' certificates;
- teaching initial and refresher classes for school bus drivers within the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46;
- reviewing life/safety requirements for schools in conjunction with the State of Illinois;
- issuing newsletters regarding new Illinois life/safety requirements; and
- monitoring compliance with State laws and Department of Education policies and procedures.

The Regional Superintendent's responsibilities for administering the school educational service region programs include, but are not limited to, providing directions to teachers and school officials on science, art and teaching methods; implementing the State Board of Education's Policy Programs; encouraging camaraderie among teachers through the teachers' institute; making public notice of unfilled teaching positions within the region; and ensuring of the safety, health, and welfare of the students in the region by periodically inspecting the school buildings and ensuring that the bus drivers have valid driving licenses and are properly trained to operate the school buses. Further, the Regional Superintendent receives an allocation of school funds from the State Board of Education and apportions these funds to the school districts in accordance with the State Board of Education's formula.

The Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 has no distributive fund since the State of Illinois maintains responsibility for the function of distributing state and federal aid to individual school districts.

The financial statements of the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The following is a summary of the significant accounting policies:

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006**

REPORTING ENTITY

For financial reporting purposes, the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 has included all funds, organizations, agencies, boards, commissions and authorities. The Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 are such that exclusion would cause the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46. The Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 has no component units that meet the Governmental Accounting Standards Board criteria and is not a component unit of any other entity.

BASIS OF PRESENTATION

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the activities of the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by intergovernmental and local revenues.

The Statement of Net Assets presents the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

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

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006**

BASIS OF PRESENTATION (CONTINUED)

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

Fund Financial Statements - Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 reports the following major governmental funds:

The General Fund is the operating fund of the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The following funds comprise the General Fund:

Office Fund - This fund is used to account for County and miscellaneous local revenue to be used at the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's discretion.

Distributive Interest Fund - This fund is used to account for interest from former Distributive Fund funds that are to be used for general operations that benefit all counties in the region.

The Education Fund accounts for grant funds that are restricted as to their use. The following funds comprise the Education Fund:

ROE/ISC School Improvement Fund - This fund is used to account for costs associated with improving school programs and policies for the districts within the region.

Dental Sealant Fund - This fund is used to account for the costs associated with providing dental sealant for the region.

Math Performance Descriptors Fund - This fund is used to account for materials necessary for maintaining math standards for school districts within the region.

Truants Alternative/Optional Education Fund - This fund is used to account for a grant that provides truancy guidance and alternative education options for applicable students within the region.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006**

BASIS OF PRESENTATION (CONTINUED)

Regional Safe Schools Fund - This fund is used to account for a grant that provides additional staff and materials for the alternative schools in the region.

ROE/ISC Operations Fund - This fund is used to account for a grant that provides operating funds for the region.

Step by Step Fund - This fund is used to account for a grant that provides training for various school improvement approaches within the region.

Department of Commerce and Economic Opportunity Fund - This fund is used to account for a grant that provides funding for various operational activities within the region.

21st Century Community Learning Centers Fund - This fund is used to account for a grant that provides after school activities for at-risk students within the region.

Title I - Reading First Part B SEA Fund - This fund is used to account for a grant that promotes the importance of reading development for the students within the region.

Title IV - Community Service Fund - This fund is used to account for a grant that provides community service based projects for students within the region.

Administrator's Academy Fund - This fund is used to account for a grant that provides workshops and support to administrators within the region.

McKinney Education for Homeless Children - This fund is used to account for a grant that provides assistance for homeless children within school districts.

Standards Aligned Classroom Fund - This fund is used to account for reimbursements for providing services to Two Rivers Professional Development Center.

Title V - Innovative Programs Fund - This fund is used to account for a grant to provide professional development opportunities for teachers.

Title IV - Safe and Drug Free Schools - Formula Fund - This fund is used to account for a grant to provide teachers with professional development opportunities related to maintaining a safe and drug free school.

Title II - Teacher Quality Fund - This fund is used to account for a grant to provide professional development opportunities for teachers.

Teen Reach - Department of Health and Human Services (DHHS) Fund - This fund is used to account for a grant to provide a teen reach after school program for students in the region.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006**

BASIS OF PRESENTATION (CONTINUED)

Cass County Teen Reach - Department of Health and Human Services (DHHS) Fund
- This fund is used to account for a grant to provide a teen reach after school program for students in the region.

Lice Busters Fund - This fund is used to account for a grant that provides lice treatment for students within the region.

The Alternative Schools Fund is used to account for the activities and programs of the alternative schools within the region.

The Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 reports the following nonmajor special revenue funds:

Institute Fund - This fund is used to account for activities associated with the recertification process for teachers, and expenses of meetings of a professional nature. All funds generated remain restricted until expended only on the aforementioned activities.

Bus Driver Fund - This fund is used to account for the testing and training of bus drivers for the districts within the region.

General Education Development Fund - This fund is used to account for administration of General Education Development testing for applicants within the region.

Supervisory Fund - This fund is used to account for monies that are used by the Regional Superintendent and the Assistant Regional Superintendent for travel and other related expenses.

Film Coop Fund - This fund is used to account for library and video materials that are available to all the districts in the region.

WCI Schoolmasters Association Fund - This fund is used to account for activities associated with the West Central Illinois Schoolmasters Association.

Identix Fingerprinting Fund - This fund is used to account for a fee assessed to Districts and the expenses associated with providing background check/fingerprinting services.

Project Inquire Fund - This fund is used to account for reimbursements for providing services to Two Rivers Professional Development Center.

Job Bank Fund - This fund is used to account for a fee assessed to Districts and the expenses associated with posting job openings on the State website.

ROE Program Support Fund - This fund is used to account for local support for after school programs in the region.

Workshop Fund - This fund is used to account for various workshops held to benefit school districts within the region.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006**

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46.

The Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 records on-behalf payments made by the State to the Teachers' Retirement System as revenue and expenditures.

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

Under the terms of grant agreements, the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 maintains its financial records on the cash basis. The financial statements of the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 are prepared by making memorandum adjusting entries to the cash basis financial records.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006**

ASSETS, LIABILITIES AND FUND EQUITY

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

Cash and cash equivalents - Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 considers all investments in certificates of deposit with maturities within one year to be cash equivalents.

Capital assets - Capital assets, which include furniture and equipment, are reported in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 as assets with an initial, individual cost in excess of \$500 and estimated useful lives in excess of two years. Capital assets are depreciated using the straight line method over 5-10 years.

Deferred revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unexpended grant proceeds.

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

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

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006**

BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as supplementary information.

The Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 did not formally adopt a budget for the year ended June 30, 2006 and is not legally required to do so. The Illinois State Board of Education requires budgets for certain State programs. These budgets were used to prepare budgetary comparison schedules for the following programs: Truants Alternative/Optional Education Fund, Regional Safe Schools Fund, ROE/ISC Operations Fund, Title I - Reading First Part B SEA Fund, Title IV - Safe and Drug Free Schools - Formula Fund, and Title II - Teacher Quality Fund.

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

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

NOTE 1 - DEPOSITS AND INVESTMENTS

The deposit and investment of monies is governed by the provisions of the Illinois Compiled Statutes. At June 30, 2006, the carrying amount of the deposits was \$1,064,181 (net of overdrafts) and the bank balance was \$1,125,021.

Deposits

Custodial credit risk - Custodial credit risk is the risk that in the event of a bank failure, Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's deposits may not be returned. Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 does not have a deposit policy for custodial credit risk. As of June 30, 2006, \$18,675 of Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's bank balance of \$1,125,021 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 18,675</u>
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Investments

Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 does not have a formal investment policy, as its only investments are internally pooled in the Illinois Funds Money Market Fund. As of June 30, 2006, Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 had investments with carrying and fair values of \$2,372 invested in the Illinois Funds Money Market Fund.

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

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

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

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

NOTE 2 - CAPITAL ASSETS

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

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Governmental activities:				
Furniture and equipment	\$ 64,160	\$ 9,426	\$ -	\$ 73,586
Less accumulated depreciation	<u>52,680</u>	<u>6,118</u>	<u>-</u>	<u>58,798</u>
Total capital assets, net	<u>\$ 11,480</u>	<u>\$ 3,308</u>	<u>\$ -</u>	<u>\$ 14,788</u>

Depreciation expense was charged as follows:

Governmental activities:

 Education:

 Depreciation expense \$ 6,118

NOTE 3 - DUE FROM/TO OTHER GOVERNMENTS

The detail of due from/to other governments for the year ended June 30, 2006 is as follows:

	<u>Due From</u>	<u>Due To</u>
Education Fund		
Title V - Innovative Programs Fund		
Illinois State Board of Education	\$ -	\$ 590
Title II - Teacher Quality Fund		
Illinois State Board of Education	-	71
Teen Reach - DHHS Fund		
Illinois Department of Health and Human Services	10,300	-
Other Nonmajor Funds		
Various Sources	<u>150</u>	<u>-</u>
Total	<u>\$ 10,450</u>	<u>\$ 661</u>

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

NOTE 4 - TRANSFERS

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

	Transfers In	Transfers Out
General Fund		
Office Fund	\$ 12,511	\$ -
Education Fund		
Regional Safe Schools Fund	-	34,489
21 st Century Community Learning Centers Fund	-	12,511
Administrator's Academy Fund	-	805
Alternative Schools Fund	34,489	-
Other Nonmajor Funds		
Workshop Fund	805	-
Total	\$ 47,805	\$ 47,805

NOTE 5 - EMPLOYEE BENEFIT PLANS

The Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's employees are covered under the Illinois Municipal Retirement Fund. Contributions to the Fund are made by the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 on behalf of the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 staff employees and grant coordinators.

The Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 is a participating member of the Illinois Municipal Retirement Fund whose coverage includes all the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 employees who:

- a. Occupy a job normally requiring 1,000 hours or more per year;
- b. are paid on a regular payroll from the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 funds;
- c. were under age sixty when first entering employment; and
- d. are not covered by another state created retirement system for the same service.

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

The Regional Superintendent and the Assistant Regional Superintendent of the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 are paid by the State of Illinois.

Illinois Municipal Retirement Fund

The Brown, Cass, Morgan and Scott Counties Regional Office of Education #46'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.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

NOTE 5 - EMPLOYEE BENEFIT PLANS (CONTINUED)

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

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2005 was 6.26% 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 10 years.

For December 31, 2005, the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's annual pension cost of \$24,415 was equal to the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2005 actuarial valuation were based on the 2002-2004 experience study.

TREND INFORMATION

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/05	\$ 24,415	100%	\$ -
12/31/04	53,618	100%	-
12/31/03	31,179	100%	-
12/31/02	21,731	100%	-
12/31/01	28,877	100%	-
12/31/00	21,784	100%	-
12/31/99	13,593	100%	-
12/31/98	8,214	100%	-
12/31/97	3,783	100%	-
12/31/96	831	100%	-

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 - EMPLOYEE BENEFIT PLANS (CONTINUED)

Teachers' Retirement System of the State of Illinois

The Regional Office of Education #46 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2006, was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The Regional Office of Education #46 THIS Fund contribution was 0.6 percent during the year ended June 30, 2006, and the member THIS Fund health insurance contribution was 0.80 percent.

The State of Illinois makes contributions directly to TRS on behalf of the Regional Office of Education #46's TRS-covered employees.

- **On-behalf Contributions.** The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #46. For the year ended June 30, 2006, the State of Illinois contributions were based on 7.06 percent of creditable earnings, and the Regional Office of Education #46 recognized revenue and expenditures of \$36,338 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 9 percent (\$28,899) and 9 percent (\$27,102), respectively.

The Regional Office of Education #46 makes other types of employer contributions directly to TRS.

- **2.2 Formula Contributions.** Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. Contribution for the year ended June 30, 2006 was \$2,246. Contributions for the years ending June 30, 2005, and June 30, 2004, were \$1,862 and \$1,747, respectively.

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 - EMPLOYEE BENEFIT PLANS (CONTINUED)

- **Federal and Trust Fund Contributions.** When TRS members are paid from federal and trust funds administered by the Regional Office of Education #46, there is a statutory requirement for the Regional Office of Education #46 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions paid from federal and trust funds will be the same as the state contribution rate for TRS. For the year ended June 30, 2006, the employer pension contribution was 7.06 percent of salaries paid from federal and trust funds. For the two years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the years ended June 30, 2006 the contribution was \$2,995. For June 30, 2005, and June 30, 2004, there were no salaries that qualified for this plan.
- **Early Retirement Option.** The Regional Office of Education #46 is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member and under which ERO program the member retires. Under Public Act 94-0004 a "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007. If members do not meet these conditions, they can retire under the "Modified ERO" program which requires higher member and employer contributions to TRS. Also, under Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service (unless the member qualifies in the Pipeline ERO). Under the ERO program that expired on June 30, 2005, and the Pipeline ERO, the maximum employer contribution is 100 percent of the member's highest salary used in the final average salary calculation. Under the Modified ERO, the maximum employer contribution is 117.5 percent. Both the 100 percent and 117.5 percent maximums apply when the member is age 55 at retirement. For the year ended June 30, June 30, 2005, and June 30, 2004, the Regional Office of Education #46 paid no employer contributions under the Early Retirement Option.

TRS financial information, an explanation of TRS' benefits, and descriptions of member, employer and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2005. The report for the year ended June 30, 2006, is expected to be available in late 2006. The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, IL 62794-9253. The most current report is also available on the TRS Web site at www.trs.state.il.us.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

NOTE 6 - DEFICIT FUND BALANCES

The following funds had deficit fund balances at June 30, 2006. The deficits will be covered by normal operations or fund transfers.

Education Fund	
ROE/ISC Operations Fund	\$ (123)
21 st Century Community Learning Centers Fund	(7,719)
Title IV - Community Service Fund	(136)
Other Nonmajor Funds	
Supervisory Fund	(950)
Identix Fingerprinting Fund	(321)

NOTE 7 - ON-BEHALF PAYMENTS

Salaries of the Regional Superintendent and the Assistant Regional Superintendent are paid by the State of Illinois. The State of Illinois and the respective employees also pay pension plan contributions associated with these salaries. The Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 pays all other salaries.

On-behalf payments are as follows:

Regional Superintendent - salary	\$ 84,737
Regional Superintendent - benefits (includes State paid insurance)	14,563
Assistant Regional Superintendent - salary	76,263
Assistant Regional Superintendent - benefits (includes State paid insurance)	17,516
TRS on-behalf payments	<u>36,338</u>
Total on-behalf payments	<u>\$ 229,417</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.

NOTE 8 - RISK MANAGEMENT

The Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 assumes liability for any deductibles and claims in excess of coverage limitations. There has been no significant reduction in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the year.

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 9 - NEW PRONOUNCEMENTS

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

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

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

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF FUNDING PROGRESS - IMRF (Unaudited)
June 30, 2006**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/05	\$ 620,006	\$ 610,067	\$ (9,939)	101.63%	\$ 390,022	0.00%
12/31/04	547,640	560,390	12,750	97.72%	340,432	3.75%
12/31/03	463,196	458,809	(4,387)	100.96%	291,397	0.00%
12/31/02	402,190	483,209	81,019	83.23%	339,552	23.86%
12/31/01	380,910	394,004	13,094	96.68%	362,778	3.61%
12/31/00	323,790	296,623	(27,167)	109.16%	314,797	0.00%
12/31/99	254,571	241,214	(13,357)	105.54%	270,795	0.00%
12/31/98	187,357	167,547	(19,810)	111.82%	169,013	0.00%
12/31/97	142,772	112,804	(29,968)	126.57%	151,349	0.00%
12/31/96	109,922	90,767	(19,155)	121.10%	94,374	0.00%

On a market value basis, the actuarial value of assets as of December 31, 2005 is \$625,389. On a market basis, the funded ratio would be 102.51 percent.

***Digest of Changes**

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

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

OTHER SUPPLEMENTARY INFORMATION

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2006

	<u>Office Fund</u>	<u>Distributive Interest Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 163,946</u>	<u>\$ 2,867</u>	<u>\$ 166,813</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
None	\$ -	\$ -	\$ -
FUND BALANCES			
Unreserved	<u>163,946</u>	<u>2,867</u>	<u>166,813</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 163,946</u>	<u>\$ 2,867</u>	<u>\$ 166,813</u>

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GENERAL FUND ACCOUNTS
Year Ended June 30, 2006

	<u>Office Fund</u>	<u>Distributive Interest Fund</u>	<u>Total</u>
REVENUES:			
Local sources	\$ 220,890	\$ 424	\$ 221,314
On-behalf payments	229,417	-	229,417
Total revenues	450,307	424	450,731
EXPENDITURES:			
Current:			
Education:			
Salaries	125,322	-	125,322
Benefits	40,505	-	40,505
Purchased services	35,130	1,373	36,503
Supplies and materials	4,307	861	5,168
Capital Outlay	1,607	-	1,607
On-behalf payments	229,417	-	229,417
Total expenditures	436,288	2,234	438,522
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	14,019	(1,810)	12,209
OTHER FINANCING SOURCES:			
Transfers in	12,511	-	12,511
NET CHANGES IN FUND BALANCES	26,530	(1,810)	24,720
FUND BALANCE, BEGINNING OF YEAR	137,416	4,677	142,093
FUND BALANCE, END OF YEAR	\$ 163,946	\$ 2,867	\$ 166,813

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2006**

	<u>ROE/ISC School Improvement Fund</u>	<u>Dental Sealant Fund</u>	<u>Math Performance Descriptors Fund</u>	<u>Truants Alternative/ Optional Education Fund</u>	<u>Regional Safe Schools Fund</u>	<u>ROE/ISC Operations Fund</u>
ASSETS						
Cash (overdrafts) and cash equivalents	\$ 808	\$ 957	\$ 336	\$ 8,020	\$ 6,687	\$ (123)
Due from other governments	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 808</u>	<u>\$ 957</u>	<u>\$ 336</u>	<u>\$ 8,020</u>	<u>\$ 6,687</u>	<u>\$ (123)</u>
LIABILITIES AND FUND BALANCE (DEFICIT)						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 6,010	\$ -
Due to other governments	-	-	-	-	-	-
Deferred revenue	-	-	-	8,020	677	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,020</u>	<u>6,687</u>	<u>-</u>
FUND BALANCE (DEFICIT)						
Fund balance (deficit), unreserved and undesignated	<u>808</u>	<u>957</u>	<u>336</u>	<u>-</u>	<u>-</u>	<u>(123)</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ 808</u>	<u>\$ 957</u>	<u>\$ 336</u>	<u>\$ 8,020</u>	<u>\$ 6,687</u>	<u>\$ (123)</u>

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2006

	Step by Step Fund	Department of Commerce and Economic Opportunity Fund	21 st Century Community Learning Centers Fund	Title I - Reading First Part B SEA Fund	Title IV - Community Service Fund
ASSETS					
Cash (overdrafts) and cash equivalents	\$ 79,025	\$ 28	\$ (7,719)	\$ 5,303	\$ (136)
Due from other governments	-	-	-	-	-
TOTAL ASSETS	<u>\$ 79,025</u>	<u>\$ 28</u>	<u>\$ (7,719)</u>	<u>\$ 5,303</u>	<u>\$ (136)</u>
LIABILITIES AND FUND BALANCE (DEFICIT)					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 1,971	\$ -
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	-	3,332	-
Total liabilities	-	-	-	5,303	-
FUND BALANCE (DEFICIT)					
Fund balance (deficit), unreserved and undesignated	79,025	28	(7,719)	-	(136)
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ 79,025</u>	<u>\$ 28</u>	<u>\$ (7,719)</u>	<u>\$ 5,303</u>	<u>\$ (136)</u>

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2006

	Administrator's Academy Fund	McKinney Education for Homeless Children Fund	Standards Aligned Classroom Fund	Title V - Innovative Programs Fund	Title IV - Safe and Drug Free Schools - Formula Fund
ASSETS					
Cash (overdrafts) and cash equivalents	\$ -	\$ 811	\$ 30,398	\$ 606	\$ 192
Due from other governments	-	-	-	-	-
TOTAL ASSETS	\$ -	\$ 811	\$ 30,398	\$ 606	\$ 192
LIABILITIES AND FUND BALANCE (DEFICIT)					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 189
Due to other governments	-	-	-	590	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	-	590	189
FUND BALANCE (DEFICIT)					
Fund balance (deficit), unreserved and undesignated	-	811	30,398	16	3
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ -	\$ 811	\$ 30,398	\$ 606	\$ 192

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2006

	Title II - Teacher Quality Fund	Teen Reach - DHHS Fund	Cass County Teen Reach - DHHS Fund	Lice Busters Fund	Total
ASSETS					
Cash (overdrafts) and cash equivalents	\$ 114	\$ -	\$ 127	\$ 2,598	\$ 128,032
Due from other governments	-	10,300	-	-	10,300
TOTAL ASSETS	\$ 114	\$ 10,300	\$ 127	\$ 2,598	\$ 138,332
LIABILITIES AND FUND BALANCE (DEFICIT)					
LIABILITIES					
Accounts payable	\$ 37	\$ 10,265	\$ -	\$ -	\$ 18,472
Due to other governments	71	-	-	-	661
Deferred revenue	-	-	-	-	12,029
Total liabilities	108	10,265	-	-	31,162
FUND BALANCE (DEFICIT)					
Fund balance (deficit), unreserved and undesignated	6	35	127	2,598	107,170
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 114	\$ 10,300	\$ 127	\$ 2,598	\$ 138,332

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2006

SCHEDULE 4

	ROE/ISC School Improvement Fund	Dental Sealant Fund	Math Performance Descriptors Fund	Truants Alternative/ Optional Education Fund	Regional Safe Schools Fund	ROE/ISC Operations Fund
REVENUES:						
Local sources	\$ 17	\$ 20	\$ 7	\$ 171	\$ 142	\$ -
State sources	-	-	-	106,071	104,514	57,895
Federal sources	-	2,386	-	-	-	-
Total revenues	<u>17</u>	<u>2,406</u>	<u>7</u>	<u>106,242</u>	<u>104,656</u>	<u>57,895</u>
EXPENDITURES:						
Current:						
Education:						
Salaries	-	-	-	44,996	64,106	41,937
Benefits	-	-	-	14,764	18,731	14,862
Purchased services	-	1,863	-	24,199	12,272	1,096
Supplies and materials	-	561	-	22,283	9,547	-
Capital outlay	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>2,424</u>	<u>-</u>	<u>106,242</u>	<u>104,656</u>	<u>57,895</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	17	(18)	7	-	-	-
OTHER FINANCING USES:						
Transfers out	-	-	-	-	(34,489)	-
NET CHANGES IN FUND BALANCES	17	(18)	7	-	(34,489)	-
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>791</u>	<u>975</u>	<u>329</u>	<u>-</u>	<u>34,489</u>	<u>(123)</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 808</u>	<u>\$ 957</u>	<u>\$ 336</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (123)</u>

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2006**

**SCHEDULE 4
(CONTINUED)**

	<u>Step by Step Fund</u>	<u>Department of Commerce and Economic Opportunity Fund</u>	<u>21st Century Community Learning Centers Fund</u>	<u>Title I - Reading First Part B SEA Fund</u>	<u>Title IV - Community Service Fund</u>
REVENUES:					
Local sources	\$ 1,683	\$ 28	\$ -	\$ 233	\$ -
State sources	54,448	-	-	-	-
Federal sources	26,043	-	82,326	16,383	-
Total revenues	<u>82,174</u>	<u>28</u>	<u>82,326</u>	<u>16,616</u>	<u>-</u>
EXPENDITURES:					
Current:					
Education:					
Salaries	30,000	-	23,544	-	-
Benefits	300	-	4,807	-	-
Purchased services	5,927	-	41,233	4,551	-
Supplies and materials	2,837	-	7,207	2,965	-
Capital outlay	-	-	823	3,100	-
Payments to other governments	-	-	-	6,000	-
Total expenditures	<u>39,064</u>	<u>-</u>	<u>77,614</u>	<u>16,616</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	43,110	28	4,712	-	-
OTHER FINANCING USES:					
Transfers out	-	-	(12,511)	-	-
NET CHANGES IN FUND BALANCES	43,110	28	(7,799)	-	-
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>35,915</u>	<u>-</u>	<u>80</u>	<u>-</u>	<u>(136)</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 79,025</u>	<u>\$ 28</u>	<u>\$ (7,719)</u>	<u>\$ -</u>	<u>\$ (136)</u>

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2006

SCHEDULE 4
(CONTINUED)

	Administrator's Academy Fund	McKinney Education for Homeless Children Fund	Standards Aligned Classroom Fund	Title V - Innovative Programs Fund	Title IV - Safe and Drug Free Schools - Formula Fund
REVENUES:					
Local sources	\$ -	\$ 17	\$ 648	\$ 16	\$ 4
State sources	-	-	30,000	-	-
Federal sources	-	12,000	-	-	467
Total revenues	<u>-</u>	<u>12,017</u>	<u>30,648</u>	<u>16</u>	<u>471</u>
EXPENDITURES:					
Current:					
Education:					
Salaries	-	9,000	-	-	-
Benefits	-	-	-	-	-
Purchased services	-	1,790	2,886	-	468
Supplies and materials	-	416	6,845	-	-
Capital outlay	-	-	-	-	-
Payments to other governments	-	-	-	-	-
Total expenditures	<u>-</u>	<u>11,206</u>	<u>9,731</u>	<u>-</u>	<u>468</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	811	20,917	16	3
OTHER FINANCING USES:					
Transfers out	<u>(805)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(805)	811	20,917	16	3
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>805</u>	<u>-</u>	<u>9,481</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ -</u>	<u>\$ 811</u>	<u>\$ 30,398</u>	<u>\$ 16</u>	<u>\$ 3</u>

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2006

SCHEDULE 4
(CONTINUED)

	Title II - Teacher Quality Fund	Teen Reach - DHHS Fund	Cass County Teen Reach - DHHS Fund	Lice Busters Fund	Total
REVENUES:					
Local sources	\$ 6	\$ -	\$ 3	\$ 55	\$ 3,050
State sources	-	-	5,352	-	358,280
Federal sources	1,433	129,500	-	-	270,538
Total revenues	<u>1,439</u>	<u>129,500</u>	<u>5,355</u>	<u>55</u>	<u>631,868</u>
EXPENDITURES:					
Current:					
Education:					
Salaries	-	3,484	2,164	247	219,478
Benefits	-	1,444	2,587	40	57,535
Purchased services	1,433	12,710	-	43	110,471
Supplies and materials	-	3,952	477	465	57,555
Capital outlay	-	-	-	-	3,923
Payments to other governments	-	107,910	-	-	113,910
Total expenditures	<u>1,433</u>	<u>129,500</u>	<u>5,228</u>	<u>795</u>	<u>562,872</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6	-	127	(740)	68,996
OTHER FINANCING USES:					
Transfers out	-	-	-	-	(47,805)
NET CHANGES IN FUND BALANCES	6	-	127	(740)	21,191
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	-	35	-	3,338	85,979
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 6</u>	<u>\$ 35</u>	<u>\$ 127</u>	<u>\$ 2,598</u>	<u>\$ 107,170</u>

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2006**

	Truants Alternative/Optional Education Fund				Regional Safe Schools Fund				ROE/ISC Operations Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final			Original	Final			Original	Final		
REVENUES:												
Local sources	\$ -	\$ -	\$ 171	\$ 171	\$ -	\$ -	\$ 142	\$ 142	\$ -	\$ -	\$ -	\$ -
State sources	112,800	112,800	106,071	(6,729)	104,656	104,656	104,514	(142)	57,895	57,895	57,895	-
Federal sources	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>112,800</u>	<u>112,800</u>	<u>106,242</u>	<u>(6,558)</u>	<u>104,656</u>	<u>104,656</u>	<u>104,656</u>	<u>-</u>	<u>57,895</u>	<u>57,895</u>	<u>57,895</u>	<u>-</u>
EXPENDITURES:												
Current:												
Salaries	46,815	46,815	44,996	1,819	64,097	64,097	64,106	(9)	41,937	41,937	41,937	-
Benefits	17,317	17,317	14,764	2,553	19,560	19,560	18,731	829	14,913	14,913	14,862	51
Purchased services	24,069	24,069	24,199	(130)	11,999	11,999	12,272	(273)	1,045	1,045	1,096	(51)
Supplies and materials	24,599	24,599	22,283	2,316	9,000	9,000	9,547	(547)	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>112,800</u>	<u>112,800</u>	<u>106,242</u>	<u>6,558</u>	<u>104,656</u>	<u>104,656</u>	<u>104,656</u>	<u>-</u>	<u>57,895</u>	<u>57,895</u>	<u>57,895</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	-	-	-	-	-	-	-	-
OTHER FINANCING USES:												
Transfers out	-	-	-	-	-	-	(34,489)	(34,489)	-	-	-	-
NET CHANGES IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(34,489)</u>	<u>\$ (34,489)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			<u>-</u>				<u>34,489</u>				<u>(123)</u>	
FUND BALANCE (DEFICIT), END OF YEAR			<u>\$ -</u>				<u>\$ -</u>				<u>\$ (123)</u>	

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2006

	Title I - Reading First Part B SEA Fund				Title IV - Safe and Drug Free Schools - Formula Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final			Original	Final		
REVENUES:								
Local sources	\$ -	\$ -	\$ 233	\$ 233	\$ -	\$ -	\$ 4	\$ 4
State sources	-	-	-	-	-	-	-	-
Federal sources	19,715	22,543	16,383	(6,160)	240	240	467	227
Total revenues	19,715	22,543	16,616	(5,927)	240	240	471	231
EXPENDITURES:								
Current:								
Salaries	-	-	-	-	-	-	-	-
Benefits	-	-	-	-	-	-	-	-
Purchased services	7,971	7,971	4,551	3,420	240	240	468	(228)
Supplies and materials	2,744	5,572	2,965	2,607	-	-	-	-
Capital outlay	4,000	4,000	3,100	900	-	-	-	-
Payments to other governments	5,000	5,000	6,000	(1,000)	-	-	-	-
Total expenditures	19,715	22,543	16,616	5,927	240	240	468	(228)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	-	-	3	3
OTHER FINANCING USES:								
Transfers out	-	-	-	-	-	-	-	-
NET CHANGES IN FUND BALANCES	\$ -	\$ -	-	\$ -	\$ -	\$ -	3	\$ 3
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			-				-	
FUND BALANCE (DEFICIT), END OF YEAR			\$ -				\$ 3	

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2006

	Title II - Teacher Quality				Totals			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final			Original	Final		
REVENUES:								
Local sources	\$ -	\$ -	\$ 6	\$ 6	\$ -	\$ -	\$ 556	\$ 556
State sources	-	-	-	-	275,351	275,351	268,480	(6,871)
Federal sources	1,433	1,433	1,433	-	21,388	24,216	18,283	(5,933)
Total revenues	1,433	1,433	1,439	6	296,739	299,567	287,319	(12,248)
EXPENDITURES:								
Current:								
Salaries	-	-	-	-	152,849	152,849	151,039	1,810
Benefits	-	-	-	-	51,790	51,790	48,357	3,433
Purchased services	1,433	1,433	1,433	-	46,757	46,757	44,019	2,738
Supplies and materials	-	-	-	-	36,343	39,171	34,795	4,376
Capital outlay	-	-	-	-	4,000	4,000	3,100	900
Payments to other governments	-	-	-	-	5,000	5,000	6,000	(1,000)
Total expenditures	1,433	1,433	1,433	-	296,739	299,567	287,310	12,257
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	6	6	-	-	9	9
OTHER FINANCING USES:								
Transfers out	-	-	-	-	-	-	(34,489)	(34,489)
NET CHANGES IN FUND BALANCES	\$ -	\$ -	6	\$ 6	\$ -	\$ -	(34,480)	\$ (34,480)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			-				34,366	
FUND BALANCE (DEFICIT), END OF YEAR			\$ 6				\$ (114)	

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
 REGIONAL OFFICE OF EDUCATION #46
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2006**

SCHEDULE 6

	Institute Fund	Bus Driver Fund	General Education Development Fund	Supervisory Fund
ASSETS				
Cash (overdrafts) and cash equivalents	\$ 36,297	\$ 1,348	\$ 1,447	\$ (950)
Due from other governments	150	-	-	-
TOTAL ASSETS	\$ 36,447	\$ 1,348	\$ 1,447	\$ (950)
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
None	\$ -	\$ -	\$ -	\$ -
FUND BALANCES (DEFICIT)				
Unreserved	36,447	1,348	1,447	(950)
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 36,447	\$ 1,348	\$ 1,447	\$ (950)

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
 REGIONAL OFFICE OF EDUCATION #46
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2006**

**SCHEDULE 6
 (CONTINUED)**

	Film Coop Fund	WCI Schoolmasters Association Fund	Identix Fingerprinting Fund	Project Inquire Fund
ASSETS				
Cash (overdrafts) and cash equivalents	\$ 1,361	\$ 106	\$ (321)	\$ 2,488
Due from other governments	-	-	-	-
TOTAL ASSETS	\$ 1,361	\$ 106	\$ (321)	\$ 2,488
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
None	\$ -	\$ -	\$ -	\$ -
FUND BALANCES (DEFICIT)				
Unreserved	1,361	106	(321)	2,488
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 1,361	\$ 106	\$ (321)	\$ 2,488

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
 REGIONAL OFFICE OF EDUCATION #46
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2006**

**SCHEDULE 6
 (CONTINUED)**

	Job Bank Fund	ROE Program Support Fund	Workshop Fund	Total
ASSETS				
Cash (overdrafts) and cash equivalents	\$ 678	\$ 3,579	\$ 4,754	\$ 50,787
Due from other governments	-	-	-	150
TOTAL ASSETS	\$ 678	\$ 3,579	\$ 4,754	\$ 50,937
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
None	\$ -	\$ -	\$ -	\$ -
FUND BALANCES (DEFICIT)				
Unreserved	678	3,579	4,754	50,937
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 678	\$ 3,579	\$ 4,754	\$ 50,937

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2006

SCHEDULE 7

	Institute Fund	Bus Driver Fund	General Education Development Fund	Supervisory Fund
REVENUES:				
Local sources	\$ 28,947	\$ 846	\$ 7,872	\$ 6
State sources	-	600	-	4,000
Total revenues	28,947	1,446	7,872	4,006
EXPENDITURES:				
Current:				
Education:				
Salaries	-	-	2,375	-
Benefits	-	-	182	-
Purchased services	16,014	1,502	5,466	4,655
Supplies and materials	644	-	2,479	-
Capital outlay	650	-	-	-
Payments to other governments	154	-	-	-
Total expenditures	17,462	1,502	10,502	4,655
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,485	(56)	(2,630)	(649)
OTHER FINANCING SOURCES:				
Transfers in	-	-	-	-
NET CHANGES IN FUND BALANCES	11,485	(56)	(2,630)	(649)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	24,962	1,404	4,077	(301)
FUND BALANCE (DEFICIT), END OF YEAR	\$ 36,447	\$ 1,348	\$ 1,447	\$ (950)

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2006**

**SCHEDULE 7
(CONTINUED)**

	Film Coop Fund	WCI Schoolmasters Association Fund	Identix Fingerprinting Fund	Project Inquire Fund
REVENUES:				
Local sources	\$ 14,958	\$ 1	\$ 2,914	\$ 2,853
State sources	-	-	-	-
Total revenues	14,958	1	2,914	2,853
EXPENDITURES:				
Current:				
Education:				
Salaries	-	-	-	-
Benefits	-	-	-	-
Purchased services	1,648	-	4,604	-
Supplies and materials	13,033	-	-	-
Capital outlay	-	-	-	-
Payments to other governments	-	-	-	-
Total expenditures	14,681	-	4,604	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	277	1	(1,690)	2,853
OTHER FINANCING SOURCES:				
Transfers in	-	-	-	-
NET CHANGES IN FUND BALANCES	277	1	(1,690)	2,853
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	1,084	105	1,369	(365)
FUND BALANCE (DEFICIT), END OF YEAR	\$ 1,361	\$ 106	\$ (321)	\$ 2,488

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2006

SCHEDULE 7
(CONTINUED)

	Job Bank Fund	ROE Program Support Fund	Workshop Fund	Total
REVENUES:				
Local sources	\$ 1,015	\$ 3,576	\$ 4,300	\$ 67,288
State sources	-	-	-	4,600
Total revenues	1,015	3,576	4,300	71,888
EXPENDITURES:				
Current:				
Education:				
Salaries	-	-	725	3,100
Benefits	-	-	11	193
Purchased services	1,350	-	3,297	38,536
Supplies and materials	-	783	8,627	25,566
Capital outlay	-	-	631	1,281
Payments to other governments	-	-	-	154
Total expenditures	1,350	783	13,291	68,830
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(335)	2,793	(8,991)	3,058
OTHER FINANCING SOURCES:				
Transfers in	-	-	805	805
NET CHANGES IN FUND BALANCES	(335)	2,793	(8,186)	3,863
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	1,013	786	12,940	47,074
FUND BALANCE (DEFICIT), END OF YEAR	\$ 678	\$ 3,579	\$ 4,754	\$ 50,937

BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

SCHEDULE 8

<u>Federal Grantor/Pass-Through Grantor, Program Title & Major Program Designation</u>	<u>CFDA Number</u>	<u>Project Number (1st 8 digits) or Contract #</u>	<u>Expenditures 7/1/05 - 6/30/06</u>
U.S. Dept. of Education 21 st Century Community Learning Centers	84.287A	S287A010974-03	\$ 77,614
U.S. Dept. of Education passed through Illinois State Board of Education:			
Title I - Reading First Part B SEA	84.357A	06-4337-02	16,383
Title IV - Safe and Drug Free Schools - Formula	84.186A	05-4400-00	39
Title IV - Safe and Drug Free Schools - Formula	84.186A	06-4400-00	428
			<u>467</u>
Title II - Teacher Quality	84.367A	06-4932-00	1,433
Total passed through Illinois State Board of Education			<u>18,283</u>
U.S. Dept. of Education passed through Peoria County ROE #48:			
Title I - System of Support	84.010	06-4331-SS	26,043
U.S. Dept. of Education passed through Hancock/McDonough County ROE #26:			
McKinney Education for Homeless Children	84.196A	06-4920-00	11,206
U.S. Dept. of Agriculture passed through Illinois State Board of Education:			
National School Lunch Program	10.555	05-4210-00	1,881
National School Lunch Program	10.555	06-4210-00	11,042
			<u>12,923</u>
Illinois Department of Health:			
Dental Sealant	93.994	63481110	2,386
Corporation for National and Community Service passed through Illinois Department of Human Services:			
(M) TANF - Youth Programs	93.558	511G6847000	122,500
America Learn and Serve - Community Activities	94.004	511G6847000	7,000
			<u>129,500</u>
Total expenditures of federal awards			<u>\$ 277,955</u>

(M) Program was audited as a major program

The accompanying notes are an integral part of this schedule.

**BROWN, CASS, MORGAN AND SCOTT COUNTIES
REGIONAL OFFICE OF EDUCATION #46
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006**

NOTE 1 - REPORTING ENTITY BASIS OF PRESENTATION AND ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 and is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 - SUBRECIPIENTS

Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, the Brown, Cass, Morgan and Scott Counties Regional Office of Education #46 provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA#</u>	<u>Amount Provided To Subrecipients</u>
Title I - Reading First Part B SEA	84.357A	\$ 6,000
Teen Reach - DHHS Fund	93.558	107,910

NOTE 3 - DESCRIPTION OF MAJOR FEDERAL PROGRAM

Teen Reach (TANF) - Department of Health and Human Services (DHHS) Fund - This fund is used to account for a grant to provide a teen reach after school program for students in the region.

NOTE 4 - NON-CASH ASSISTANCE

N/A

NOTE 5 - AMOUNT OF INSURANCE

N/A

NOTE 6 - LOANS OR LOAN GUARANTEES OUTSTANDING

N/A

This information is an integral part of the accompanying schedule.