

State of Illinois
CARROLL, JO DAVIESS, AND
STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
FINANCIAL AUDIT
(In Accordance with the Single Audit Act
and OMB Circular A-133)
For the Year Ended June 30, 2007

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

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8**

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REGIONAL OFFICE OF EDUCATION #8**

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**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8**

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**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8**

OFFICIALS

Regional Superintendent
(current and during the audit period)

Honorable Marie Stiefel

Assistant Regional Superintendent
(5.5 months during the audit period)(current)

John B. Lang

Assistant Regional Superintendent
(5.5 months during the audit period)(current)

Catherine Finch

Office is located at:

500 N. Rush St.
Stockton, Illinois 61085

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8**

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	2	1
Repeated audit findings	0	1
Prior recommendations implemented or not repeated	1	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)		
07-1	11	Controls Over Financial Statement Preparation
07-2	13	Inadequate Control Over the Payroll Function

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

06-1	17	Controls Over Compliance with Laws and Regulations
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EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on August 10, 2007. Attending were Honorable Marie Stiefel, Regional Superintendent, Ms. Linda Willy, Bookkeeper, and Joe Hoerscheimann, from Clifton Gunderson LLP. Responses to the recommendations were provided by Honorable Marie Stiefel, Regional Superintendent, on December 15, 2007.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8**

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 was performed by Clifton Gunderson LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's basic financial statements.

INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8, as of and for the year ended June 30, 2007, which collectively comprise the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2008 on our consideration of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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 18 through 32 and 67 are not a required part of the basic financial statements but are supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's basic financial statements. The accompanying supplemental information, such as the combining and individual nonmajor fund financial statements, budgetary comparison schedules and the Schedule of Disbursements to School District Treasurers and Other Entities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Other Entities 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 Henderson LLP

Clinton, Iowa
February 13, 2008

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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8, as of and for the year ended June 30, 2007, which collectively comprise the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's basic financial statements and have issued our report thereon dated February 13, 2008. 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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, 07-1 and 07-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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*.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's response and, accordingly, we express no opinion on it.

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

Clifton Henderson LLP

Clinton, Iowa
February 13, 2008

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 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, 2007. The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's management. Our responsibility is to express an opinion on the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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 on the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's compliance with those requirements.

In our opinion, the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 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, 2007.

Internal Control Over Compliance

The management of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Clifton Henderson LLP

Clinton, Iowa
February 13, 2008

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Financial Statement Findings:

FINDING NO. 07-1 - Controls Over Financial Statement Preparation

Criteria/Specific Requirement:

The Regional Office of Education #8 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

Condition:

The Regional Office of Education #8 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements sufficient for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not maintain adequate internal controls over the processing of all financial transactions and numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.

Effect:

Management or employees in the normal course of performing their assigned functions may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

Cause:

According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Financial Statement Findings:

FINDING 07-1 - Controls Over Financial Statement Preparation (Continued)

Recommendation:

As part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education #8 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

Management's Response:

The Regional Office of Education #8 understands the nature of this finding and realizes that this circumstance is not unusual in small organizations such as ours. Regional Office staff are knowledgeable regarding accounting principals, however, and we feel there is minimal risk associated with this condition. Nonetheless, we will look into the cost and feasibility of seeking additional accounting expertise or providing existing staff with additional training necessary to prepare and/or review financial statements.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Financial Statement Findings:

FINDING NO. 07-2 - Inadequate Control Over the Payroll Function

Criteria/Specific Requirement:

The Regional Office of Education requires employees to have their time sheets signed by the appropriate supervisor before submitting them for processing. Also, the bookkeeper is to keep documentation showing each employee's current pay rate in the employee's personnel file.

Condition:

It was noted during test work that in 3 instances out of 25 selections, an employee's time sheet was not signed by the appropriate supervisor. It was also noted in 4 instances out of 25 selections that amendments were made to employees' original contracted pay rates without proper approval and documentation.

Effect:

When payroll controls are not functioning properly, employee's hours or pay rates may be incorrect, leading to salaries and benefits being misstated.

Cause:

According to Regional Office officials, controls over timesheet approval and personnel file documentation had been implemented but did not function properly. Regional Office personnel did not verify that employee personnel files included the required information.

Recommendation:

The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 should work to ensure that controls over payroll are functioning properly. Regional Office of Education personnel should verify, before processing payroll, that all time sheets have been properly approved and that all pay rate documentation is current and present in personnel files.

Management's Response:

The Regional Superintendent has informed Regional Office bookkeeping staff that employee pay should not be adjusted until a signed amended contract has been received and placed in the employee's personnel file. In addition, bookkeepers have been instructed not to pay hourly employees for hours reported unless a supervisor has signed the time sheet to indicate approval.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section III: Federal Award Findings:

INSTANCES OF NONCOMPLIANCE:

None

SIGNIFICANT DEFICIENCIES:

None

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
June 30, 2007**

FINDING NO. 07-1 - Controls Over Financial Statement Preparation

Condition:

The Regional Office of Education #8 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements sufficient for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not maintain adequate internal controls over the processing of all financial transactions and numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.

Plan:

The Regional Office of Education #8 understands the nature of this finding and realizes that this circumstance is not unusual in small organizations such as ours. Regional Office staff are knowledgeable regarding accounting principals, however, and we feel there is minimal risk associated with this condition. Nonetheless, we will look into the cost and feasibility of seeking additional accounting expertise or providing existing staff with additional training necessary to prepare and/or review financial statements.

Anticipated Completion Date:

Immediately

Contact Person Responsible for Corrective Action:

Honorable Marie Stiefel, Regional Superintendent

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
June 30, 2007**

FINDING NO. 07-2 - Inadequate Control Over the Payroll Function

Condition:

It was noted during test work that in 3 instances out of 25 selections, an employee's time sheet was not signed by the appropriate supervisor. It was also noted in 4 instances out of 25 selections that amendments were made to employees' original contracted pay rates without proper approval and documentation.

Plan:

The Regional Superintendent has informed Regional Office bookkeeping staff that employee pay should not be adjusted until a signed amended contract has been received and placed in the employee's personnel file. In addition, bookkeepers have been instructed not to pay hourly employees for hours reported unless a supervisor has signed the time sheet to indicate approval.

Anticipated Completion Date:

Immediately

Contact Person Responsible for Corrective Action:

Honorable Marie Stiefel, Regional Superintendent

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
 REGIONAL OFFICE OF EDUCATION #8
 SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 June 30, 2007**

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
06-1	A. Public Act 95-496 repealed the requirements of 105 ILCS 5/3-14.11.	Resolved
06-1	B. ROE reported all activities quarterly to the county board, including a list of all school visited with dates of visitation.	Resolved
06-1	C. Public Act 95-496 repealed the requirements of 105 ILCS 5/3-14.5.	Resolved

Management's Discussion and Analysis

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 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, 2007. We encourage readers to consider this information in conjunction with Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$990,891 in fiscal year 2006 to \$1,139,992 in fiscal year 2007, while General Fund expenditures also increased from \$975,320 in fiscal year 2006 to \$1,156,001 in fiscal year 2007. The General Fund is made up of three sub funds: Counties Support, ROE Operations, and Special Services. Most of the increase in the General Fund was in Special Services. That increase was primarily due to an increase in the State Aid foundation level and an increase in the number of students enrolled in the Freeport Alternative High School. In turn, staff employed at the Alternative High School received raises, and additional staff was hired to meet the needs of the increased student population. It is also relevant to note that there is a time lag between when the ROE pays Freeport District #145 the State Aid received, when the ROE does the payroll for staff employed at the Alternative School, and when the Freeport District reimburses the ROE for the cost involved. The exchange of funds results in periodic fluctuations in the fund balance.
- Education Fund revenues increased from \$2,205,594 in 2006 to \$2,525,078 in 2007. Expenses also increased from \$2,198,217 in 2006 to \$2,523,823 in 2007.

The Education Fund is made up of twelve different grant funds the Regional Office receives through the State Board of Education along with other sources. Some grants increased while others decreased or were not funded in fiscal year 2007. The following grant programs saw decreased or lost funding in fiscal year 2007:

Title V - Innovative Programs Formula
Title IV - Safe and Drug Free Schools Formula
Title II - Teacher Quality
System of Support

The Truants Alternative/Optional Education program's funding increased by \$10,780 due to the program receiving a small cost of living increase. State funding for the Truants Alternative/Optional Education Program has been very flat for a long time while costs have increased for the delivery of required services. The Early Childhood Preschool at Risk Grant increased by \$346,793 due to the Regional Office requesting and receiving funding from the State Board of Education for five additional classrooms and a part-time Parent Educator. The Standard Aligned Classroom grant increased by \$11,303 due to several additional school teams being added with funding available from the State Board of Education. The Workforce Investment Act program's funding also increased by \$6,583 due to additional funds being requested to allow for a cost of living increase. Expenses were proportionally increased or

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

decreased to meet the funding level. The only program with any noticeable carryover was the Early Intervention program with \$10,958. The carryover was comprised primarily of donations from local families or businesses and earmarked for specific purposes – a memorial fund reserved for special projects for children with disabilities and a family weekend fund used to provide a weekend of respite and educational programming for families of children with disabilities. A small portion of the carryover was made up of payments from the State of Illinois for approved KidCare applications. Those payments are above and beyond the regular Early Intervention grant and are allowed to be carried over and used as discretionary funds.

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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 as a whole and present an overall view of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 acts solely as an agent or custodian for the benefit of those outside of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8.

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

Required Supplemental Information further explains and supports the financial statements with information about the Illinois Municipal Retirement Fund Schedule of Funding Progress.

Other Supplemental Information provides detailed information about the major and nonmajor funds.

Figure A-1 summarizes the major features of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's financial statements, including the portion of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's activities they cover and the types of information they contain.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

**Figure A-1
Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Regional Office of Education #8 (except fiduciary funds)	The activities of Regional Office of Education #8 that are not proprietary or fiduciary, such as grants and statutory funds	Activities Regional Office of Education #8 operates similar to private businesses: workshops	Instances in which Regional Office of Education #8 administers resources on behalf of someone else, such as the distributive fund and Parriott Scholarship Trust
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses, and Changes in Fund Net Assets • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

REPORTING CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES REGIONAL OFFICE OF EDUCATION #8'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's net assets and how they have changed. Net assets - the difference between Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's assets and liabilities - are one way to measure Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's financial health or financial position. Over time, increases or decreases in Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's net assets are an indicator of whether financial position is improving or deteriorating. To assess Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's overall health, additional non-financial factors, such as changes in Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's grant funding and the condition of facilities need to be considered.

In the government-wide financial statements, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's activities are divided into two categories:

- *Governmental activities:* Most of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's basic services are included here, such as grants and statutory funds. Federal and state grant proceeds finance most of these activities.
- *Business-type activities:* Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 charges fees to help cover the costs of certain services it provides. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's Workshop Fund is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's funds, focusing on its most significant or "major" funds - not Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 as a whole. Funds are accounting devices Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 uses to keep track of specific sources of funding and spending on particular programs.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Some funds are required by state law. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 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.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 has three kinds of funds:

1) *Governmental funds*: Most of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's programs.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's governmental funds include the General Fund and Special Revenue Funds.

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

2) *Proprietary funds*: Services for which Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 currently has one Enterprise Fund, the Workshop Fund.

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

3) *Fiduciary funds*: Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 is the trustee for assets that belong to others. These funds include Private-Purpose Trust Funds and Agency Funds.

- Private-Purpose Trust Funds - These are funds that exist to account for the E.H. Parriott Scholarship Trust Principal and Interest that provide scholarships for individual students.
- Agency Funds - These are funds through which Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 administers and accounts for certain federal and/or state grants on behalf of others.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8, assets exceeded liabilities by \$139,664 as of June 30, 2007.

A portion of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's net assets (10 %) reflects its investment in capital assets (e.g., furniture and equipment), less any related debt used to acquire those assets that are still outstanding. Although Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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.

The following table presents a summary of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's net assets for the fiscal year ended June 30, 2007 and 2006.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

<u>2007</u>	Governmental Activities	Business- Type Activities	Total
Current assets	\$ 167,300	\$ 78,177	\$ 245,477
Capital assets, net of accumulated depreciation	<u>14,416</u>	<u>-</u>	<u>14,416</u>
Total assets	<u>181,716</u>	<u>78,177</u>	<u>259,893</u>
Current liabilities	<u>109,179</u>	<u>11,050</u>	<u>120,229</u>
Net assets			
Invested in capital assets, net of related debt	14,416	-	14,416
Unrestricted	28,179	67,127	95,306
Restricted for teacher professional development	<u>29,942</u>	<u>-</u>	<u>29,942</u>
Total net assets	<u>\$ 72,537</u>	<u>\$ 67,127</u>	<u>\$ 139,664</u>
 <u>2006</u>			
	Governmental Activities	Business- Type Activities	Total
Current assets	\$ 196,831	\$ 80,185	\$ 277,016
Capital assets, net of accumulated depreciation	<u>19,435</u>	<u>-</u>	<u>19,435</u>
Total assets	<u>216,266</u>	<u>80,185</u>	<u>296,451</u>
Current liabilities	<u>111,619</u>	<u>9,370</u>	<u>120,989</u>
Net assets			
Invested in capital assets, net of related debt	19,435	-	19,435
Unrestricted	41,819	70,815	112,634
Restricted for teacher professional development	<u>43,393</u>	<u>-</u>	<u>43,393</u>
Total net assets	<u>\$ 104,647</u>	<u>\$ 70,815</u>	<u>\$ 175,462</u>

The largest portion of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's net assets is unrestricted. Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. Unrestricted net assets were \$95,306 at year end. In addition, net assets related to the Institute Fund are considered restricted for teacher professional development.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Changes in net assets. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's total revenue for the fiscal year ended June 30, 2007 was \$3,863,126. The total cost of all programs and services was \$3,898,924. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2007 and 2006.

<u>2007</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues			
Charges for services	\$ -	\$ 120,888	\$ 120,888
Operating grants and contributions	2,950,404	-	2,950,404
General revenues			
Local sources	577,209	-	577,209
On-behalf payment	213,728	-	213,728
Investment earnings	<u>-</u>	<u>897</u>	<u>897</u>
Total revenues	<u>3,741,341</u>	<u>121,785</u>	<u>3,863,126</u>
Expenses:			
Education			
Salaries	1,178,912	-	1,178,912
Employee benefits	254,929	-	254,929
Purchased services	1,184,596	-	1,184,596
Supplies and materials	47,762	-	47,762
Capital outlay	910	-	910
Depreciation	7,019	-	7,019
Payments to other governments	885,595	-	885,595
Administrative			
On-behalf payments	213,728	-	213,728
Other	<u>-</u>	<u>125,473</u>	<u>125,473</u>
Total expenses	<u>3,773,451</u>	<u>125,473</u>	<u>3,898,924</u>
Change in net assets	(32,110)	(3,688)	(35,798)
Net assets, beginning	<u>104,647</u>	<u>70,815</u>	<u>175,462</u>
Net assets, ending	<u>\$ 72,537</u>	<u>\$ 67,127</u>	<u>\$ 139,664</u>

Operating grants and contributions account for 76% of the total revenue. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's expenses primarily relate to education, which account for 91% of the total expenses.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

<u>2006</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues			
Charges for services	\$ -	\$ 150,575	\$ 150,575
Operating grants and contributions	2,459,107	-	2,459,107
General revenues			
Local sources	576,782	-	576,782
State sources	28,145	-	28,145
On-behalf payment	194,597	-	194,597
Investment earnings	-	998	998
Interest income	5,333	-	5,333
	<u>3,263,964</u>	<u>151,573</u>	<u>3,415,537</u>
Total revenues			
Expenses:			
Education			
Salaries	916,833	-	916,833
Employee benefits	209,628	-	209,628
Purchased services	851,834	-	851,834
Supplies and materials	65,163	-	65,163
Capital outlay	5,074	-	5,074
Depreciation	7,775	-	7,775
Payments to other governments	1,000,037	-	1,000,037
Other objects	468	-	468
Administrative			
On-behalf payments	194,597	-	194,597
Other	-	139,933	139,933
	<u>3,251,409</u>	<u>139,933</u>	<u>3,391,342</u>
Total expenses			
Change in net assets	12,555	11,640	24,195
Net assets, beginning	<u>92,092</u>	<u>59,175</u>	<u>151,267</u>
Net assets, ending	<u>\$ 104,647</u>	<u>\$ 70,815</u>	<u>\$ 175,462</u>

Operating grants and contributions account for 72% of the total revenue. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's expenses primarily relate to education, which account for 90% of the total expenses.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Governmental Activities

Revenues for governmental activities were \$3,741,341 and \$3,263,964 and expenses were \$3,773,451 and \$3,251,409 for 2007 and 2006, respectively.

The following tables present the cost of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's residents by each of these functions.

2007

	<u>Total Expenses</u>	<u>Net (Expenses) Revenues</u>
Education		
Salaries	\$ 1,178,912	\$ (200,415)
Employee benefits	254,929	(43,338)
Purchased services	1,184,596	(201,381)
Supplies and materials	47,762	(8,120)
Capital outlay	910	1,505
Depreciation	7,019	(7,019)
Payments to other governments	885,595	(150,551)
Administrative		
On-behalf payments	<u>213,728</u>	<u>(213,728)</u>
Total expenses	<u>\$ 3,773,451</u>	<u>\$ (823,047)</u>

2006

	<u>Total Expenses</u>	<u>Net (Expenses) Revenues</u>
Education		
Salaries	\$ 916,833	\$ (202,103)
Employee benefits	209,628	(42,653)
Purchased services	851,834	(177,888)
Supplies and materials	65,163	(33,769)
Capital outlay	5,074	(672)
Depreciation	7,775	(7,775)
Payments to other governments	1,000,037	(132,377)
Other objects	468	(468)
Administrative		
On-behalf payments	<u>194,597</u>	<u>(194,597)</u>
Total expenses	<u>\$ 3,251,409</u>	<u>\$ (792,302)</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

- The cost of all governmental activities was \$3,773,451 and \$3,251,409 for 2007 and 2006, respectively.
- Federal and state governments subsidized certain governmental activities with grants and contributions of \$2,950,404 and \$2,459,107 for 2007 and 2006, respectively.

Net cost of governmental activities (\$823,047), was financed by general revenues, which are made up of primarily local sources (\$577,209) and on-behalf payments (\$213,728) for 2007.

Net cost of governmental activities (\$792,302), was financed by general revenues, which are made up of primarily local and state sources (\$604,927) and on-behalf payments (\$194,597). Interest income made up the difference (\$5,333) for 2006.

Business-Type Activities

Revenues for business-type activities were \$121,785 and \$151,573 and expenses were \$125,473 and \$139,933 for 2007 and 2006, respectively. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's business-type activities include the Workshop Fund. Revenues of these activities were comprised of charges for service, local reimbursements, and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 as a whole is reflected in its governmental funds, as well. As Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 completed the year, its governmental funds reported a combined fund balance of \$58,121, below last year's ending fund balances of \$85,212.

Governmental Fund Highlights

The General Fund fund balance decreased from \$27,072 in 2006 to \$11,063 in 2007. The decrease in fund balance was small in comparison to expenditures of \$1,156,001. The General Fund includes the Special Services accounts, which reflect revenue and expenses for Freeport Alternative High School (FAHS). There is an exchange of funds between Freeport District #145 and the Regional Office, since District #145 receives the State Aid the Regional Office generates but in turn reimburses the ROE for payroll costs for FAHS. There is a time delay between billings and payment, which creates fluctuation from year to year in the fund balance.

The Education Fund fund balance increased from \$9,703 in 2006 to \$10,958 in 2007. The Education Fund is primarily made up of grants the Regional Office receives and this can vary greatly from year to year as some programs are discontinued while others see a funding increase.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Over the various programs that make up the fund, total revenues exceeded expenditures by \$1,255 thus raising the fiscal year 2006 balance from \$9,703 to \$10,958 in fiscal year 2007. In consideration that the total Education Fund revenue is \$2,525,078, \$1,255 is a very small change. The fund balance of \$10,958 represents a carryover primarily comprised of local donations and designated for specific projects of the Early Intervention program, which serves birth-to-three year children with disabilities and their families.

Proprietary Fund Highlights

Workshop Fund net assets decreased from \$70,815 at June 30, 2006 to \$67,127 at June 30, 2007, representing a decrease of approximately 5%. The Workshop Fund's assets are primarily made up of funds the Regional Office receives and expends in providing for-credit college course work and workshops for professional development.

The Workshop Fund revenues have decreased from \$150,575 in fiscal year 2006 to \$120,888 in fiscal year 2007. Revenue in the Workshop Fund is largely dependent on participation in the ROE workshops, which varies from year to year. Additionally, the Regional Office received \$7,557 in Reading First funds to provide Reading workshops in FY06 and was not funded by that grant in FY07. Expenditures for the Workshop Fund were also less for FY07 than for FY06, although not in a directly proportionate amount, since the costs of hiring presenters for the workshops is the same regardless of enrollment.

BUDGETARY HIGHLIGHTS

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 is not required to create a budget for overall operations. They are required to prepare budgets for most of the grants they receive. Over the course of the year, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 amended several of the grant budgets within the Education Fund. Budgets for grant programs are adjusted because of an increase or decrease in funding due to changes at the State level or to better allocate funds received to meet the needs of the program.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

CAPITAL ASSETS

As of June 30, 2007, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 had invested \$153,589 in capital assets, including furniture and equipment. This is a decrease from \$161,190 invested in capital assets, including furniture and equipment on June 30, 2006. Total depreciation expense for the year was \$7,019.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2007.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Furniture and equipment	\$ 14,416	\$ -	\$ 14,416

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Furniture and equipment	\$ 19,435	\$ -	\$ 19,435

Additional information on Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's capital assets can be found in Note 7 on page 62 of this report.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

**ECONOMIC FACTORS BEARING ON CARROLL, JO DAVIESS, AND STEPHENSON
COUNTIES REGIONAL OFFICE OF EDUCATION #8'S FUTURE**

At the time these financial statements were prepared and audited, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 was aware of several existing circumstances that could significantly affect its financial health in the future:

The financial outlook for the Regional Office is very dependent on the funding that comes from the State of Illinois budget and on what the State leadership determines funding practices will be. As of October of 2007, a Budget Implementation Bill has not been approved. Therefore, the Office is not receiving the approved level of State Aid for the Freeport Alternative High School or Safe School Program. Our costs for staff salaries and benefits have nonetheless increased, which creates financial difficulty.

As student performance requirements continue to increase under the No Child Left Behind Act and an increasing number of districts fail to meet goals for Adequate Yearly Progress, we can expect to see an increased demand for ROE School Improvement services and System of Support services. This would necessitate an increased level of funding to the Regional Office for provision of those services.

The Governor and legislature continue to show a commitment to programs for young children. The Regional Office has strong programming through the Early Childhood Block Grant and has historically been successful in securing funding for additional programming when money for expansion has been made available. Also, after several years of funding new Early Childhood programs while existing programs languished at level funding, State leadership has recognized the need to provide cost of living increases to existing programs. We would certainly hope that this trend will continue.

The economic health of northwest Illinois continues to suffer as businesses leave the area and are either replaced with employers offering minimum wage positions or are not replaced at all. Therefore, County budgets are stretched, and our budget requests for office staff salaries and operating costs are minimal.

**CONTACTING CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES REGIONAL OFFICE
OF EDUCATION #8'S FINANCIAL MANAGEMENT**

This financial report is designed to provide Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's citizens, taxpayers, customers, and creditors with a general overview of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's finances and to demonstrate Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8, 500 North Rush Street, Stockton, Illinois 61085.

BASIC FINANCIAL STATEMENTS

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government		<u>Total</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 30,650	\$ 78,177	\$ 108,827
Due from other governments	136,650	-	136,650
Total current assets	167,300	78,177	245,477
Non-current assets:			
Capital assets, being depreciated, net	14,416	-	14,416
Total assets	181,716	78,177	259,893
LIABILITIES			
Current liabilities:			
Accounts payable	-	11,050	11,050
Accrued payroll and employee benefits	101,317	-	101,317
Due to other governments	7,862	-	7,862
Total current liabilities	109,179	11,050	120,229
NET ASSETS			
Investment in capital assets, net of related debt	14,416	-	14,416
Unrestricted	28,179	67,127	95,306
Restricted for teacher professional development	29,942	-	29,942
Total net assets	\$ 72,537	\$ 67,127	\$ 139,664

The accompanying notes are an integral part of the financial statements.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
 REGIONAL OFFICE OF EDUCATION #8
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2007

EXHIBIT B

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary governmental activities:						
Governmental activities:						
Education:						
Salaries	\$ 1,178,912	\$ -	\$ 978,497	\$ (200,415)	\$ -	\$ (200,415)
Employee benefits	254,929	-	211,591	(43,338)	-	(43,338)
Purchased services	1,184,596	-	983,215	(201,381)	-	(201,381)
Supplies and materials	47,762	-	39,642	(8,120)	-	(8,120)
Capital outlay	910	-	2,415	1,505	-	1,505
Depreciation	7,019	-	-	(7,019)	-	(7,019)
Payments to other governments	885,595	-	735,044	(150,551)	-	(150,551)
Administrative:						
On-behalf payments	213,728	-	-	(213,728)	-	(213,728)
Total governmental activities	3,773,451	-	2,950,404	(823,047)	-	(823,047)
Business-type activities:						
Other	125,473	120,888	-	-	(4,585)	(4,585)
Total primary government	\$ 3,898,924	\$ 120,888	\$ 2,950,404	(823,047)	(4,585)	(827,632)
General revenues:						
Local sources				577,209	-	577,209
On-behalf payments				213,728	-	213,728
Investment earnings				-	897	897
Total general revenue				790,937	897	791,834
CHANGES IN NET ASSETS				(32,110)	(3,688)	(35,798)
NET ASSETS, BEGINNING OF YEAR				104,647	70,815	175,462
NET ASSETS, END OF YEAR				\$ 72,537	\$ 67,127	\$ 139,664

The accompanying notes are an integral part of the financial statements.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007**

Total fund balances of governmental funds (page 36)	\$	58,121
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.		14,416
Net assets of governmental activities (page 34)	\$	<u>72,537</u>

The accompanying notes are an integral part of the financial statements.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	Special Revenue			Total Governmental Funds
	General Fund	Education Fund	Other Nonmajor Funds	
REVENUES:				
Local sources	\$ 527,866	\$ 12,360	\$ 72,551	\$ 612,777
State sources	398,398	1,866,239	3,720	2,268,357
Federal sources	-	646,479	-	646,479
On-behalf payments	213,728	-	-	213,728
Total revenues	1,139,992	2,525,078	76,271	3,741,341
EXPENDITURES:				
Current:				
Education:				
Salaries	459,920	712,392	6,600	1,178,912
Employee benefits	39,090	215,027	812	254,929
Purchased services	111,832	1,001,223	71,541	1,184,596
Supplies and materials	4,697	33,410	9,655	47,762
Capital outlay	2,000	910	-	2,910
Payments to other governments	324,734	560,861	-	885,595
Other objects	-	-	-	-
On-behalf payments	213,728	-	-	213,728
Total expenditures	1,156,001	2,523,823	88,608	3,768,432
NET CHANGE IN FUND BALANCES	(16,009)	1,255	(12,337)	(27,091)
FUND BALANCE, BEGINNING OF YEAR	27,072	9,703	48,437	85,212
FUND BALANCE, END OF YEAR	\$ 11,063	\$ 10,958	\$ 36,100	\$ 58,121

The accompanying notes are an integral part of the financial statements.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007**

Net change in fund balances (page 38) **\$ (27,091)**

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	\$ 2,000		
Depreciation expense	<u>(7,019)</u>	<u>(5,019)</u>	

Change in net assets of governmental activities (page 35) **\$ (32,110)**

The accompanying notes are an integral part of the financial statements.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
 June 30, 2007

	Business-Type Activities - Enterprise Fund <u>Workshops</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 78,177
LIABILITIES	
Current liabilities:	
Accounts payable	<u>11,050</u>
NET ASSETS	
Unrestricted	<u>\$ 67,127</u>

The accompanying notes are an integral part of the financial statements.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Business-Type Activities - Enterprise Fund <u>Workshops</u>
Operating revenues:	
Charges for services	<u>\$ 120,888</u>
Operating expenses:	
Current:	
Education:	
Salaries	7,665
Employee benefits	706
Purchased services	116,176
Supplies and materials	926
Total operating expenses	<u>125,473</u>
Operating loss	(4,585)
Nonoperating revenue:	
Investment income	<u>897</u>
Loss before contributions, gains/losses, and transfers	(3,688)
Total net assets, beginning of year	<u>70,815</u>
Total net assets, end of year	<u>\$ 67,127</u>

The accompanying notes are an integral part of the financial statements.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Business-Type Activities - Enterprise Fund <u>Workshops</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from workshops	\$ 120,888
Payments to suppliers and providers of goods and services	(115,422)
Payments to employees	<u>(8,371)</u>
Net cash used in operating activities	(2,905)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	<u>897</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,008)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>80,185</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 78,177</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (4,585)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Change in assets and liabilities:	
Increase in accounts payable	<u>1,680</u>
Net cash used in operating activities	<u><u>\$ (2,905)</u></u>

The accompanying notes are an integral part of the financial statements.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2007

	<u>Private-Purpose</u> <u>Trusts</u>	<u>Agency</u> <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 57,694	\$ 1,348
Investments	811,224	-
Rent receivable	14,871	-
Interest receivable	2,112	-
Due from other funds	17,401	-
Property and equipment, net	749,264	-
Total assets	<u>1,652,566</u>	<u>1,348</u>
LIABILITIES		
Accounts payable	6,122	-
Due to other funds	17,401	-
Deposits	2,600	-
Due to other governmental units	-	1,348
Deferred revenue	7,729	-
Total liabilities	<u>33,852</u>	<u>1,348</u>
NET ASSETS		
Held in trust for other purposes	<u>\$ 1,618,714</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2007**

	Private-Purpose <u>Trusts</u>
ADDITIONS:	
Local sources	
Rent	\$ 100,337
Interest and dividends	34,221
Total additions	<u>134,558</u>
DEDUCTIONS:	
Purchased services	30,214
Supplies and materials	1,130
Scholarships	65,750
Depreciation	9,244
Total deductions	<u>106,338</u>
EXCESS OF ADDITIONS OVER DEDUCTIONS	<u>28,220</u>
OTHER FINANCING SOURCES (USES):	
Transfers in	118,787
Transfers out	<u>(118,787)</u>
Total other financing sources (uses)	<u>-</u>
CHANGES IN NET ASSETS	28,220
NET ASSETS, BEGINNING OF YEAR	<u>1,590,494</u>
NET ASSETS, END OF YEAR	<u>\$ 1,618,714</u>

The accompanying notes are an integral part of the financial statements.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 is an entity that is a result of an Educational Service Region becoming a Regional Office of Education as of August 7, 1995. The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 operates under the School Code (105 ILCS 5/3 and 5/3A). The Regional Office of Education #8 encompasses Carroll, Jo Daviess, and Stephenson Counties in Illinois. A Regional Superintendent of Schools serves as chief administrative officer and is elected pursuant to 105 ILCS 5/3 and 5/3A of the School Code. The 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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 include, but are not limited to the following:

- Processing teachers' certificates
- Teaching initial and refresher classes for school bus drivers within Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8
- Review life/safety requirements for schools in conjunction with the State of Illinois
- Issuing newsletters regarding new Illinois life/safety requirements
- Monitoring compliance with State laws and Department of Education policies and procedures
- Providing directions to teachers and school officials on science, art and teaching methods
- Implementing the State Board of Education's Policy Programs
- Encouraging camaraderie among teachers through the teachers' institute

The Regional Office of Education #8's reporting entity includes all related organizations for which the Regional Office of Education #8 exercises oversight responsibility in accordance with Statement No. 14 of the Governmental Accounting Standards Board.

The Superintendent has developed criteria to determine whether outside agencies with activities which benefit the citizens served by the Regional Office of Education #8 should be included within its financial reporting entity. The criteria includes, but is not limited to whether the Superintendent (1) selects the governing authority or management, (2) has the ability to significantly influence operations, or (3) has accountability for fiscal matters (i.e., financial budget approval, management of assets, etc.). The Superintendent has determined that no outside agency meets the above criteria and, therefore, no agency has been included as a component unit in the financial statements. In addition, the Superintendent is not aware of any entity which would exercise such oversight which would result in the Regional Office of Education #8 being considered a component unit of the entity.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Regional Office of Education #8 is the Administrative Agent for three joint agreements - the Jo Daviess-Carroll Area Vocational Center, the Eagle Ridge Vocational Delivery System, and the Carroll-Jo Daviess-Stephenson Educational Intergovernmental Agreement. These joint agreements are not considered part of the Regional Office of Education #8's GAAP reporting entity and are not included in these financial statements.

The Jo Daviess-Carroll Area Vocational Center provides advanced vocational training to high school juniors and seniors and adults seeking retraining.

The Eagle Ridge Vocational Delivery System includes all the Jo Daviess County school districts and the West Carroll school districts in Carroll County. It allocates state vocational funding among member districts and updates vocational programs into sequential programs leading to marketable skills. The Delivery System reimburses the Regional Office of Education #8 for certain administrative costs.

The Carroll-Jo Daviess-Stephenson Educational Intergovernmental Agreement allows school districts in each county to participate in various joint programs such as criminal background investigations on substitute teachers and centralized scoring of standardized tests. The Agreement is also used as an umbrella organization for grants and cooperative bidding. The Regional Office of Education #8 makes payments to the Agreement.

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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8. 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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8'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 consists 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 which can be removed or modified.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column within the governmental funds in the financial section of the basic financial statements and are detailed in the supplemental information.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 reports the following major governmental funds:

The General Fund is the operating fund of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The following funds are the general funds of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8:

Counties Support - used to account for monies received for, and payment of, expenditures in connection with general administration activities. The source of these monies is from the three county boards for which the Regional Office of Education #8 serves.

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

Special Services - used to account for various miscellaneous expenditures as approved by the Regional Office of Education #8. Revenues are primarily derived from interest earnings or invested cash and reimbursements from other entities for administration and accounting for miscellaneous grants and programs.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Title V - Innovative Programs Formula - used to account for grant monies received for, and payment of, expenses of the Title V - Innovative Programs Formula.

Truants Alternative/Optional Ed. - used to account for grant monies received for, and payment of, expenses of the Truants Alternative Program.

Early Childhood Preschool at Risk - used to account for grant monies received for, and payment of, expenses for developing and operating programs for parents of young children.

Regional Safe Schools - used to account for grant monies received for, and payment of, alternative programs for disruptive youths in grades 6-12.

Learning Technology Center - used to account for grant monies received for, and payment of, the expenses associated with the Learning Technology Center.

Title IV - Safe and Drug Free Schools Formula - used to account for cash receipts from the State for federal assistance programs and distributed to treasurers of school districts and other agencies for drug education.

Early Intervention Infants/Toddlers - used to account for grant monies received for and payment of, expenses for an early intervention program for special needs children. Program is also called Community Access Point/System Point of Entry (CAP/SPOE).

Title II - Teacher Quality - used to account for grant monies received for, and payment of, expenditures incurred in providing workshops to improve teacher quality.

System of Support - used to account for monies received for, and expenditures incurred associated with the system of support program.

Standard Aligned Classroom - used to account for grant monies received for, and expenditures incurred associated with summer classroom activities.

Workforce Investment Act - used to account for grant monies received for, and expenditures incurred to provide financial and technical assistance to qualified recipients in order to support workforce investment activities.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Title I - Migrant Education - used to account for grant monies received for, and expenditures incurred to support high quality education programs for migratory children.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 reports the following nonmajor governmental funds:

General Educational Development - used to account for resources accumulated for, and payment of, expenses of administering the General Educational Development test. Statute requires excess funds accumulated for periods exceeding three years to be transferred into the Institute Fund.

Bus Driver - used to account for resources accumulated for, and payment of, expenses of issuing school bus driver permits and administering school bus driver training.

Supervisory - used to account for resources accumulated for, and payment of, expenses of providing supervisory service in the Regional Office of Education #8.

Institute - used to account for resources accumulated for, and payment of, expenses of administering teachers' institutes, workshops, and meetings. All funds generated remain restricted until expended only on the aforementioned activities.

Medical Reimbursement - collection of payroll deduction from participating employees. The Regional Superintendent is responsible for reimbursing the cost of employee's medical expenses.

Annexation - used to account for resources accumulated for, and payment of, expenses for annexation.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 reports the following major proprietary fund:

Workshops - used to account for workshops associated with various grant programs.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 also reports fiduciary funds which focus on net assets and changes in net assets. They include the following:

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Private-Purpose Trust Fund is used to account for assets held by the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 under trust agreements which require income earned to be used to benefit individuals through scholarship awards. The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 private-purpose trust funds include the following:

E.H. Parriott Scholarship Trust Principal - used to maintain the trust principal. Income is used to pay for scholarships.

E.H. Parriott Scholarship Trust Income - used to account for day-to-day operations of farm and to pay out scholarships from investment and farm income.

The Agency Fund is used to account for assets held by the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations. The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 agency funds include the following:

Distributive - State and Federal funds are distributed by the Illinois State Board of Education to the Regional Office of Education #8. The Regional Office of Education #8 is responsible for forwarding these monies to local school districts and others in Carroll, Jo Daviess, and Stephenson Counties.

Distributive Interest - used to account for interest earned on flow-through funds to be distributed to local school districts received from the Illinois State Board of Education. The Superintendent uses the interest money to develop inservice activities and other innovative programs, with the consent of all affected school boards and other entities.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 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, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 maintains its financial records on the cash basis. The financial statements of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Liabilities and Fund Equity

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

Cash and investments - The cash and investment balances of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 are valued at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Due from other governments - Due from other governments represents amounts due from the Illinois State Board of Education.

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 Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 as assets with an initial, individual cost in excess of \$1,500 and estimated useful lives in excess of two years. Capital assets are depreciated using the straight line method over 5-10 years.

Property, plant and equipment in the private-purpose trust fund are recorded at cost.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment are depreciated in the private-purpose trust fund using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20

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.

Budgets and Budgetary Accounting

The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 prepares a budget for each of its grants and for the support it receives from its three counties. Some of these budgets cover different periods than the Regional Office of Education #8's fiscal year.

The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's accounting records must be sophisticated enough to both (1) assure and demonstrate compliance with each budget during the period it covers and (2) also permit the reporting of the financial position and results of operations of each fund and fund type in GAAP financial statements covering its fiscal year.

Budgetary comparisons and budgetary compliance are discussed in Note 6 - Budgetary comparisons and budgetary compliance.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's cash and cash equivalents are considered to be demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The deposit and investment of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 monies is governed by the provisions of the Illinois Compiled Statutes.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

At June 30, 2007, the carrying amount of the Regional Office of Education #8's deposits were \$167,869 (net of cash overdrafts) and the bank balance was \$493,178.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's deposits may not be returned. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 does not have a deposit policy for custodial credit risk. As of June 30, 2007, all of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's deposits were either covered by FDIC insurance or covered by collateral held by the financial institution in Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's name.

A reconciliation of cash as shown on the Statement of Net Assets for the primary government is as follows:

	<u>Carrying Amount</u>
Cash - Primary Government	\$ 108,827
Cash - Private-Purpose Trusts	57,694
Cash - Agency	<u>1,348</u>
Total	<u>\$ 167,869</u>

Investments - Private-Purpose Trusts

Investments of the E.H. Parriott Scholarship Trust Funds are held in a trust account. These investments are also collateralized by securities held by an agent of the bank in the bank's name.

Interest Rate Risk - Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk and Concentration of Credit Risk - Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 does not have a formal investment policy that would limit its investment choices or would limit the amount Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 may invest in one issuer.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2007, investments included the following:

	<u>Morningstar Rating</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Principal fund			
Cash equivalents			
Mutual funds			
First American Prime Obligation Fund Class Y	Unrated	\$ 21,190	\$ 21,190
Fixed income investments			
Mutual funds			
First American Core Bond Fund Class Y	★★★	31,500	31,617
First American Inflation Pro Sec Class Y	Unrated	60,000	59,246
First American Intermediate Term Bond Fund Class Y	★★★	128,678	121,418
First American Short Term Bond Fund Class Y	★★★	<u>205,945</u>	<u>201,275</u>
Total fixed income investments		<u>426,123</u>	<u>413,556</u>
Equity investments			
Mutual funds			
American Century Capital Value Class Inv	★★★	30,638	42,056
Fidelity Advance Diversified International Class A	★★★	37,308	56,510
First American Equity Index Fund Class Y	★★★	60,659	81,455
First American Mid Cap Index Fund Class Y	★★★	6,128	8,101
First American Real Estate Securities Fund Class Y	★★★★	11,628	13,040
T Rowe Price Growth Stock Class Adv	★★★★	30,638	43,803
T Rowe Price Small Cap Value Fund	★★★★	<u>5,504</u>	<u>7,511</u>
Total equity investments		<u>182,503</u>	<u>252,476</u>
Total principal fund		<u>629,816</u>	<u>687,222</u>
Income fund			
Cash equivalents			
Mutual funds			
First American Prime Obligation Fund Class Y	Unrated	<u>23,111</u>	<u>23,111</u>
Fixed income investments			
Mutual funds			
First American Core Bond Fund Class Y	★★★	133,855	127,926
First American Inflation Pro Sec Class Y	Unrated	<u>24,442</u>	<u>22,640</u>
Total fixed income investments		<u>158,297</u>	<u>150,566</u>
Total income fund		<u>181,408</u>	<u>173,677</u>
Total investments		<u>\$ 811,224</u>	<u>\$ 860,899</u>

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3 - ON-BEHALF PAYMENTS

Salaries of the Regional Superintendent and his first assistant are paid by the State of Illinois. All other salaries with the exception of employees paid by the Special Services Fund, are paid by Carroll, Jo Daviess, and Stephenson Counties. Pension plan contributions associated with these salaries are also paid respectively, by the State of Illinois and Carroll, Jo Daviess, and Stephenson Counties. Employees of the Special Services Fund and the applicable pension plan contributions are paid by the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8.

A breakdown of the on-behalf payments are as follows:

Regional Superintendent - salary	\$ 84,737
Regional Superintendent - benefits (includes state paid insurance)	21,014
Assistant Regional Superintendent - salary	69,908
Assistant Regional Superintendent - benefits (includes state paid insurance)	507
TRS on-behalf payments	<u>37,562</u>
Total on-behalf payments	<u>\$ 213,728</u>

Salary and benefit data for the Regional Superintendent and the Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education.

NOTE 4 - EMPLOYEE BENEFIT PLAN

The Regional Office of Education #8's employees are covered under the Illinois Municipal Retirement Fund. Contributions to the Fund are made by Carroll, Jo Daviess, and Stephenson Counties and the Regional Office of Education #8 through grant monies on behalf of the Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education staff employees and grant coordinators.

Carroll, Jo Daviess, and Stephenson Counties are participating members of the Illinois Municipal Retirement Fund whose coverage includes all Regional Office of Education #8 employees who:

- a. Occupy a job normally requiring 1,000 hours or more per year;
- b. are paid on a regular payroll from County or Regional Office of Education #8 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.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 - EMPLOYEE BENEFIT PLAN (CONTINUED)

The Superintendent of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education is paid by the State of Illinois. Certain staff employees of the Regional Office of Education #8's office are employed and paid by Carroll, Jo Daviess, or Stephenson Counties (other support staff and grant coordinators are paid by the Region through grant monies). Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education has no separate employee benefit plan.

Illinois Municipal Retirement Fund

The Regional Office of Education #8's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a financial report that includes financial statements and required supplementary information. 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 percent of their annual covered salary. The member rate is established by state statute. The Regional Office of Education #8 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2006 was 12.78 percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2006 was 5 years.

For December 31, 2006, the Regional Office of Education #8's annual pension cost of \$133,013 was equal to the Regional Office of Education #8'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 2006 actuarial valuation were based on the 2002-2004 experience study.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 4 - EMPLOYEE BENEFIT PLAN (CONTINUED)

TREND INFORMATION			
Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/06	\$ 133,013	100%	\$ -
12/31/05	122,163	100%	-
12/31/04	84,985	100%	-
12/31/03	64,931	100%	-
12/31/02	62,556	100%	-
12/31/01	55,874	100%	-
12/31/00	42,689	100%	-
12/31/99	76,971	100%	-
12/31/98	66,632	100%	-
12/31/97	47,137	100%	-

NOTE 5 - RETIREMENT PLANS

Teachers' Retirement System of the State of Illinois

The Regional Office of Education #8 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, 2007, 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 #8 THIS Fund contribution was 0.6 percent during the year ended June 30, 2007, and the member THIS Fund health insurance contribution was 0.80 percent.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 5 - RETIREMENT PLANS (CONTINUED)

The State of Illinois makes contributions directly to TRS on behalf of the Regional Office of Education #8's TRS-covered employees.

- **On-behalf Contributions.** The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #8. For the year ended June 30, 2007, the State of Illinois contributions were based on 9.78 percent of creditable earnings, and the Regional Office of Education #8 recognized revenue and expenditures of \$37,562 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2006, and June 30, 2005, the State of Illinois contribution rates as percentages of creditable earnings were 7.06 percent (\$30,093) and 11.76 percent (\$34,631), respectively.

The state contributions to TRS for the years ended June 30, 2007 and June 30, 2006 were based on dollar amounts specified by the statute and were not actuarially determined. The state contributions for the year ended June 30, 2005 were based on an actuarial formula.

The Regional Office of Education #8 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. This rate is specified by statute. Contributions for the year ended June 30, 2007 was \$2,318. Contributions for the years ending June 30, 2006, and June 30, 2005, were \$1,857 and \$2,232, respectively.
- **Federal and Trust Fund Contributions.** When TRS members are paid from federal and trust funds administered by the Regional Office of Education #8, there is a statutory requirement for the Regional Office of Education #8 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and trust funds will be the same as the state contribution rate for TRS. For the year ended June 30, 2007, the employer pension contribution was 9.78 percent of salaries paid from federal and trust funds. For the year ended June 30, 2006, the employer pension contribution was 7.06 percent of salaries paid from those funds. For the year ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the years ended June 30, 2007, June 30, 2006, and June 30, 2005, there were no salaries that qualified for this plan.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 5 - RETIREMENT PLANS (CONTINUED)

- **Early Retirement Option.** The Regional Office of Education #8 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, 2007, June 30, 2006, and June 30, 2005, the Regional Office of Education #8 paid no employer contributions under the Early Retirement Option.
- **Salary increases over 6 percent and excess sick leave.** Public Act 94-0004 added two new employer contributions to TRS.
 - If an employer grants salary increases over 6 percent and those salaries are used to calculate a retiree's final average salary, the employer makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases up to 6 percent. For the years ended June 30, 2007 and June 30, 2006, the Regional Office of Education #8 did not make any contributions to TRS for salary increases in excess of 6 percent.
 - If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary used to calculate final average salary, and the TRS total normal cost rate (17.60 percent of salary during the year ended June 30, 2007). For the years ended June 30, 2007 and June 30, 2006, the Regional Office of Education #8 did not make any contributions to TRS for sick leave days granted in excess of the normal annual allotment.

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, 2006. The report for the year ended June 30, 2007, is expected to be available in late 2007. 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.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 6 - BUDGETARY COMPARISONS AND BUDGETARY COMPLIANCE

To demonstrate compliance with applicable budgetary requirements, GAAP financial statements generally include comparisons of actual results of operations to budgeted amounts for individual funds for which a budget is adopted for the period covered by the budget. Regional Office of Education #8 did not formally adopt a budget for the year ended June 30, 2007 and is not legally required to do so. The Illinois State Board of Education requires budgets for certain state and federal programs. Budgets for the Regional Office of Education #8's state and federal grant funds cover various periods. Budgetary comparisons for those periods are presented on page 71 for the ROE Operations Fund and pages 76-79 for the following grants: Title V - Innovative Programs Formula, Truants Alternative/Optional Ed., Early Childhood Block Grant - Prevention Initiative, Early Childhood Block Grant - Prekindergarten, Early Childhood Block Grant - Birth to Age 3, Regional Safe Schools, Learning Technology Center, Title IV - Safe and Drug Free Schools Formula, Title II - Teacher Quality, and Title I - Migrant Education.

To qualify for reimbursement, grant expenditures must be obligated by the end of the applicable budget period and liquidated within 90 days thereafter. To qualify for reimbursement, grant expenditures must also not exceed approved budgeted amounts for particular function (Improvement of Instruction Services, General Administration, Fiscal Services, etc.) and object (Salaries, Employee Benefits, Purchase Services, etc.) account code combinations by the greater of \$1,000 or 20% of the approved budgeted amount. Amendments to shift amounts from one function/object account code combination to another must be submitted to the ISBE for approval by 30 days prior to the end of the applicable budget period.

All grant expenditure amounts for which the Regional Office of Education #8 claimed reimbursement, and for which grant revenue is reported in these financial statements, were obligated and liquidated on a timely basis. All such expenditure amounts were within the function/object account classification limits of final approved amended budgets.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 7 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Governmental activities:				
Furniture and equipment	\$ 161,190	\$ 2,000	\$ (9,601)	\$ 153,589
Less accumulated depreciation	<u>(141,755)</u>	<u>(7,019)</u>	<u>9,601</u>	<u>(139,173)</u>
Total capital assets, net	<u>\$ 19,435</u>	<u>\$ (5,019)</u>	<u>\$ -</u>	<u>\$ 14,416</u>

Depreciation expense was charged as follows:

Governmental activities:

 Education:

 Depreciation expense \$ 7,019

Fiduciary Fund:

 Private-Purpose Trust Fund:

 E.H. Parriott Scholarship Trust Principal Fund:

Farmland and land improvements \$ 600,000 \$ - \$ - \$ 600,000

Farm building improvements 281,192 - - 281,192

Total capital assets, at cost 881,192 - - 881,192

Less accumulated depreciation (122,684) (9,244) - (131,928)

Total capital assets, net \$ 758,508 \$ (9,244) \$ - \$ 749,264

Depreciation expense was charged as follows:

 Fiduciary Fund:

 Private-Purpose Trust Fund:

 E.H. Parriott Scholarship Trust Principal Fund depreciation expense \$ 9,244

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2007 were:

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
Private-Purpose Trust Fund		
Expendable trust fund		
E.H. Parriott Scholarship Trust Income	\$ -	\$ 17,401
Nonexpendable trust fund		
E.H. Parriott Scholarship Trust Principal	<u>17,401</u>	<u>-</u>
	<u>\$ 17,401</u>	<u>\$ 17,401</u>

NOTE 9 - TRANSFERS

Fiscal year ended June 30, 2007, interfund transfers were:

<u>Fund</u>	<u>In</u>	<u>Out</u>
Private-Purpose Trust Fund		
E.H. Parriott Scholarship Trust Income	\$ 118,787	\$ -
E.H. Parriott Scholarship Trust Principal	<u>-</u>	<u>118,787</u>
	<u>\$ 118,787</u>	<u>\$ 118,787</u>

NOTE 10 - DISPOSITION OF DISTRIBUTIVE FUND INTEREST

Interest earned on the investment of the Distributive Fund is remitted by the Regional Office of Education #8 to the Carroll, Jo Daviess, Stephenson Educational Intergovernmental Agreement.

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 11 - LEASES

The E.H. Parriott Scholarship Trust is the lessor of several parcels of farm land and attached buildings under various separate lease arrangements ranging from month-to-month rentals on buildings to 3-year noncancellable leases on farm land. Rental income for the fiscal year ended June 30, 2007 was \$100,337.

Minimum future rental income on the above noncancellable leases on farm land as of June 30, 2007 were:

<u>Year Ended June 30,</u>	
2008	\$ 86,978
2009	<u>27,280</u>
Total	<u>\$ 114,258</u>

NOTE 12 - DUE TO/FROM OTHER GOVERNMENTS

The Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8's General, Special Revenue, and Trust and Agency Funds have funds due to and due from various other governmental units which consist of the following:

Due from Other Governments

General	
Special Services	
Other local entities - payroll	\$ 128,457
Education	
Workforce Investment Act	
Partners for Employment	5,465
Title I - Migrant Education	
Illinois State Board of Education	<u>2,728</u>
Total	<u>\$ 136,650</u>

Due to Other Governments

Agency Fund	
Distributive Interest Fund	
Other entities and local school districts - interest	<u>\$ 1,348</u>

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 13 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure as part of the combined financial statements of certain information concerning an individual fund as follows:

The following fund had a deficit fund balance at June 30, 2007:

Annexation	\$ <u> (140)</u>
------------	-----------------------

NOTE 14 - RISK MANAGEMENT

Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 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. Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 assumes liability for any deductibles and claims in excess of coverage limitations. There has been no significant reduction in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the year.

NOTE 15 - NEW PRONOUNCEMENTS

In 2007, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 adopted Governmental Accounting Standards Board (GASB) Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, The Regional Office of Education implemented this standard during the current year, however; it did not have a significant impact on the financial statements.

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

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

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
 REGIONAL OFFICE OF EDUCATION #8
 SCHEDULE OF FUNDING PROGRESS -
 ILLINOIS MUNICIPAL RETIREMENT FUND (Unaudited)
 June 30, 2007**

**ILLINOIS MUNICIPAL RETIREMENT FUND
 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)
12/31/06	\$1,338,039	\$1,415,748	\$ 77,709	94.51%	\$1,040,788	7.47%
12/31/05	1,092,616	1,165,732	73,116	93.73%	991,586	7.37%
12/31/04	1,009,150	1,209,356	200,206	83.45%	882,499	22.69%
12/31/03	871,457	1,020,375	148,918	85.41%	759,429	19.61%
12/31/02	979,738	1,013,678	33,940	96.65%	699,730	4.85%
12/31/01	889,814	890,975	1,161	99.87%	660,453	0.18%
12/31/00	753,439	806,683	53,244	93.40%	581,588	9.15%
12/31/99	726,010	726,880	870	99.88%	470,774	0.18%
12/31/98	544,044	608,574	64,530	89.40%	407,533	15.83%
12/31/97	409,156	1,190,543	781,387	34.37%	400,972	194.87%

On a market value basis, the actuarial value of assets as of December 31, 2006 is \$1,433,886.
 On a market basis, the funded ratio would be 101.28 %.

***Digest of Changes**

The actuarial assumptions used to determine the actuarial accrued liability for 2006 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.

SUPPLEMENTAL INFORMATION

SCHEDULE 1

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
 REGIONAL OFFICE OF EDUCATION #8
 COMBINING SCHEDULE OF ACCOUNTS
 GENERAL FUND
 June 30, 2007

	<u>Counties</u>	<u>ROE</u>	<u>Special</u>	<u>Totals</u>
	<u>Support</u>	<u>Operations</u>	<u>Services</u>	
ASSETS				
Cash (overdraft) and cash equivalents	\$ 88	-	\$ (16,165)	\$ (16,077)
Due from other governments	-	-	128,457	128,457
TOTAL ASSETS	<u>\$ 88</u>	<u>-</u>	<u>\$ 112,292</u>	<u>\$ 112,380</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accrued expenses	-	-	\$ 101,317	\$ 101,317
FUND BALANCES, UNRESERVED	<u>88</u>	<u>-</u>	<u>10,975</u>	<u>11,063</u>
TOTAL LIABILITIES AND FUND BALANCES, UNRESERVED	<u>\$ 88</u>	<u>-</u>	<u>\$ 112,292</u>	<u>\$ 112,380</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
Year Ended June 30, 2007**

	<u>Counties Support</u>	<u>ROE Operations</u>	<u>Special Services</u>	<u>Totals</u>
REVENUES:				
Local sources	\$ 136,284	\$ -	\$ 391,582	\$ 527,866
State sources	-	73,402	324,996	398,398
On-behalf payments	213,728	-	-	213,728
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	350,012	73,402	716,578	1,139,992
EXPENDITURES:				
Current:				
Education:				
Salaries	90,581	50,000	319,339	459,920
Employee benefits	15,688	23,402	-	39,090
Purchased services	27,630	-	84,202	111,832
Supplies and materials	2,362	-	2,335	4,697
Capital outlay	-	-	2,000	2,000
Payments to other government	-	-	324,734	324,734
On-behalf payments	213,728	-	-	213,728
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	349,989	73,402	732,610	1,156,001
NET CHANGE IN				
FUND BALANCES	23	-	(16,032)	(16,009)
FUND BALANCE,				
UNRESERVED,				
BEGINNING OF YEAR	<hr/>	<hr/>	<hr/>	<hr/>
	65	-	27,007	27,072
FUND BALANCE,				
UNRESERVED, END OF YEAR	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 88	\$ -	\$ 10,975	\$ 11,063

SCHEDULE 3

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
 REGIONAL OFFICE OF EDUCATION #8
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND ACCOUNTS
 Year Ended June 30, 2007

	ROE Operations Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
State sources	\$ 73,402	\$ 73,402	\$ 73,402	\$ -
EXPENDITURES:				
Current:				
Education:				
Salaries	50,000	50,000	50,000	-
Employee benefits	23,402	23,402	23,402	-
Total expenditures	73,402	73,402	73,402	-
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ -
FUND BALANCE, BEGINNING OF YEAR				
FUND BALANCE, END OF YEAR			\$ -	\$ -

SCHEDULE 4

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
 REGIONAL OFFICE OF EDUCATION #8
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND ACCOUNTS
 June 30, 2007

	Title V - Innovative Programs Formula	Truants Alternative/ Optional Ed.	Early Childhood Preschool at Risk	Regional Safe Schools	Learning Technology Center	Title IV - Safe and Drug Free Schools Formula
ASSETS						
Cash (overdrafts) and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-
TOTAL ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Deferred revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES						
Unreserved	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SCHEDULE 4
(CONTINUED)

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND ACCOUNTS
June 30, 2007

	Early Intervention Infants/ Toddlers	Title II - Teacher Quality	System of Support	Standard Aligned Classroom	Workforce Investment Act	Title I - Migrant Education	Totals
ASSETS							
Cash (overdrafts) and cash equivalents	\$ 10,958	\$ -	\$ -	\$ 239	\$ (5,465)	\$ 4,895	\$ 10,627
Due from other governments	-	-	-	-	5,465	2,728	8,193
TOTAL ASSETS	<u>\$ 10,958</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239</u>	<u>\$ -</u>	<u>\$ 7,623</u>	<u>\$ 18,820</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Deferred revenue	\$ -	\$ -	\$ -	\$ 239	\$ -	\$ 7,623	\$ 7,862
FUND BALANCES							
Unreserved	<u>10,958</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,958</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,958</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239</u>	<u>\$ -</u>	<u>\$ 7,623</u>	<u>\$ 18,820</u>

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
 Year Ended June 30, 2007

	Title V -	Truants	Alternative/ Optional Ed.	Early Childhood Preschool at Risk	Regional Safe Schools	Learning Technology Center	Title IV - Safe and Drug Free Schools Formula
REVENUES:							
Local sources	\$ -	-	-	-	-	-	-
State sources	-	164,776	-	1,173,148	140,412	60,030	-
Federal sources	101	-	-	-	-	-	9,284
	<u>101</u>	<u>164,776</u>	<u>1,173,148</u>	<u>140,412</u>	<u>60,030</u>	<u>9,284</u>	<u>9,284</u>
Total revenues							
	101	164,776	1,173,148	140,412	60,030	9,284	9,284
EXPENDITURES:							
Current:							
Education:							
Salaries	-	105,754	89,115	90,259	19,423	-	-
Employee benefits	-	37,206	22,980	25,322	3,540	-	-
Purchased services	-	17,850	484,767	23,631	36,178	9,284	-
Supplies and materials	101	3,966	17,515	1,200	889	-	-
Capital outlay	-	-	910	-	-	-	-
Payments to other governments	-	-	557,861	-	-	-	-
	<u>101</u>	<u>164,776</u>	<u>1,173,148</u>	<u>140,412</u>	<u>60,030</u>	<u>9,284</u>	<u>9,284</u>
Total expenditures							
	101	164,776	1,173,148	140,412	60,030	9,284	9,284
NET CHANGE IN FUND BALANCES	-	-	-	-	-	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
 Year Ended June 30, 2007

	Early Intervention Infants/ Toddlers	Title II - Teacher Quality	System of Support	Standard Aligned Classroom	Workforce Investment Act	Title I - Migrant Education	Totals
REVENUES:							
Local sources	\$ 12,360	-	-	-	-	-	\$ 12,360
State sources	327,873	-	-	-	-	-	1,866,239
Federal sources	268,219	290,881	14,263	18,468	44,886	377	646,479
Total revenues	<u>608,452</u>	<u>290,881</u>	<u>14,263</u>	<u>18,468</u>	<u>44,886</u>	<u>377</u>	<u>2,525,078</u>
EXPENDITURES:							
Current:							
Education:							
Salaries	381,937	-	7,351	-	18,553	-	712,392
Employee benefits	119,669	-	2,264	-	4,046	-	215,027
Purchased services	96,424	290,881	1,648	18,468	21,715	377	1,001,223
Supplies and materials	9,167	-	-	-	572	-	33,410
Capital outlay	-	-	-	-	-	-	910
Payments to other governments	-	-	3,000	-	-	-	560,861
Total expenditures	<u>607,197</u>	<u>290,881</u>	<u>14,263</u>	<u>18,468</u>	<u>44,886</u>	<u>377</u>	<u>2,523,823</u>
NET CHANGE IN FUND BALANCES	1,255	-	-	-	-	-	1,255
FUND BALANCE, BEGINNING OF YEAR	<u>9,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,703</u>
FUND BALANCE, END OF YEAR	<u>\$ 10,958</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,958</u>

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
 REGIONAL OFFICE OF EDUCATION #8
 EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2007

	Title V - Innovative Programs Formula				Truants Alternative/ Optional Ed.				Early Childhood Block Grant - Prevention Initiative			
	Budgeted Amounts		Actual		Budgeted Amounts		Actual		Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance with Final Budget	Original	Final	Amounts	Variance with Final Budget	Original	Final	Amounts	Variance with Final Budget
REVENUES:												
State sources	\$ -	\$ -	\$ -	\$ -	\$ 164,776	\$ 164,776	\$ 164,776	\$ -	\$ 545,437	\$ 545,437	\$ 545,437	\$ -
Federal sources	101	101	101	-	-	-	-	-	-	-	-	-
Total revenues	101	101	101	-	164,776	164,776	164,776	-	545,437	545,437	545,437	-
EXPENDITURES:												
Current:												
Education:												
Salaries	-	-	-	-	104,153	104,153	105,754	(1,601)	68,907	66,982	66,590	2,317
Employee benefits	-	-	-	-	37,355	37,355	37,206	149	15,254	17,114	17,314	(2,060)
Purchased services	-	-	-	-	21,093	21,093	17,850	3,243	49,078	49,078	49,533	(455)
Supplies and materials	101	101	101	-	2,175	2,175	3,966	(1,791)	4,900	4,965	4,702	198
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-	-	-	407,298	407,298	407,298	-
Total expenditures	101	101	101	-	164,776	164,776	164,776	-	545,437	545,437	545,437	-
NET CHANGE IN FUND BALANCES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR												
FUND BALANCE, UNRESERVED, END OF YEAR												

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2007

	Early Childhood Block Grant - Kindergarten			Early Childhood Block Grant - Birth to Age 3			Regional Safe Schools					
	Budgeted Amounts		Variance with	Budgeted Amounts		Variance with	Budgeted Amounts		Variance with			
	Original	Final	Final Budget	Original	Final	Final Budget	Original	Final	Final Budget			
REVENUES:												
State sources	\$ 338,530	\$ 338,530	\$ -	\$ 289,181	\$ 289,181	\$ -	\$ 140,412	\$ 140,412	\$ -	\$ -	\$ -	\$ -
Federal sources												
Total revenues	338,530	338,530	-	289,181	289,181	-	140,412	140,412	-	-	-	-
EXPENDITURES:												
Current:												
Education:												
Salaries	22,525	22,525	-	-	-	-	90,259	90,259	90,259	90,259	90,259	90,259
Employee benefits	5,505	5,505	(161)	-	-	-	25,322	25,322	25,322	25,322	25,322	25,322
Purchased services	147,053	147,053	1,000	289,181	289,181	1,000	23,631	23,631	23,631	23,631	23,631	23,631
Supplies and materials	11,564	11,584	(1,229)	-	-	-	1,200	1,200	1,200	1,200	1,200	1,200
Capital outlay	1,300	1,300	390	-	-	-	-	-	-	-	-	-
Payments to other governments	150,563	150,563	-	-	-	-	-	-	-	-	-	-
Total expenditures	338,530	338,530	-	289,181	289,181	-	140,412	140,412	-	-	-	-
NET CHANGE IN FUND BALANCES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR												
FUND BALANCE, UNRESERVED, END OF YEAR												

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2007

	Learning Technology Center			Safe and Drug Free Schools Formula			Teacher Quality		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Final		Original	Final		Original	Final	
REVENUES:									
State sources	\$ 60,030	\$ 60,030	\$ 60,030	\$ -	\$ -	\$ 9,284	\$ -	\$ 290,881	\$ -
Federal sources	-	-	-	-	-	-	-	-	-
Total revenues	60,030	60,030	60,030	-	-	9,284	-	290,881	-
EXPENDITURES:									
Current:									
Education:									
Salaries	19,331	19,331	19,423	(92)	-	-	-	-	-
Employee benefits	3,670	3,670	3,540	130	-	-	-	-	-
Purchased services	36,170	36,170	36,178	(8)	9,284	9,284	290,881	290,881	-
Supplies and materials	859	859	889	(30)	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-	-	-	-
Total expenditures	60,030	60,030	60,030	-	9,284	9,284	290,881	290,881	-
NET CHANGE IN FUND BALANCES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR									
FUND BALANCE, UNRESERVED, END OF YEAR									

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
Year Ended, June 30, 2007

	Title I -							
	Migrant Education			Total				
	Budgeted Amounts Original	Final	Actual Amounts	Variance with Final Budget	Budgeted Amounts Original	Final	Actual Amounts	Variance with Final Budget
REVENUES:								
State sources	\$ -	\$ -	\$ -	\$ -	\$ 1,538,366	\$ 1,538,366	\$ -	
Federal sources	8,000	8,000	377	(7,623)	308,266	300,643	(7,623)	
Total revenues	8,000	8,000	377	(7,623)	1,846,632	1,839,009	(7,623)	
EXPENDITURES:								
Current:								
Education:								
Salaries	4,080	4,080	-	4,080	309,255	307,330	304,551	2,779
Employee benefits	312	312	-	312	87,418	89,278	89,048	230
Purchased services	3,608	3,608	377	3,231	869,979	869,979	862,968	7,011
Supplies and materials	-	-	-	-	20,819	20,864	23,671	(2,767)
Capital outlay	-	-	-	-	1,300	1,300	910	390
Payments to other governments	-	-	-	-	557,861	557,861	557,861	-
Total expenditures	8,000	8,000	377	7,623	1,846,632	1,839,009	1,839,009	7,623
NET CHANGE IN FUND BALANCES					\$ -	\$ -	\$ -	\$ -
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR								
FUND BALANCE, UNRESERVED, END OF YEAR								\$ -

SCHEDULE 7

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
 REGIONAL OFFICE OF EDUCATION #8
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2007

	General Educational Development	Bus Driver	Super- visory	Institute	Medical Reimbursement	Annexation	Totals
ASSETS							
Cash (overdraft) and cash equivalents	\$ 524	\$ 1,598	\$ 3,868	\$ 29,942	\$ 308	\$ (140)	\$ 36,100
LIABILITIES AND FUND BALANCES (DEFICIT)							
LIABILITIES							
None	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES (DEFICIT)							
Unreserved	524	1,598	3,868	29,942	308	(140)	36,100
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)							
	\$ 524	\$ 1,598	\$ 3,868	\$ 29,942	\$ 308	\$ (140)	\$ 36,100

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended June 30, 2007

	<u>General</u>	<u>Educational</u>	<u>Development</u>	<u>Bus</u>	<u>Driver</u>	<u>Super-</u>	<u>visory</u>	<u>Institute</u>	<u>Medical</u>	<u>Reim-</u>	<u>bursement</u>	<u>Annexation</u>	<u>Totals</u>		
REVENUES:															
Local sources	\$	6,820	\$	3,202	\$	-	-	\$	33,368	\$	28,607	\$	554	\$	72,551
State sources		-		720		3,000		-			-		-		3,720
Total revenues		<u>6,820</u>		<u>3,922</u>		<u>3,000</u>		<u>33,368</u>		<u>28,607</u>		<u>554</u>		<u>76,271</u>	
EXPENDITURES:															
Current:															
Education:															
Salaries	2,829			-				3,771							6,600
Employee benefits	124			-				688							812
Purchased services	3,526			1,954		1,883		34,577		28,988		613			71,541
Supplies and materials	650			1,141		-		7,783				81			9,655
Total expenditures	<u>7,129</u>			<u>3,095</u>		<u>1,883</u>		<u>46,819</u>		<u>28,988</u>		<u>694</u>		<u>88,608</u>	
NET CHANGE IN FUND															
BALANCES (DEFICIT)	(309)			827		1,117		(13,451)		(381)		(140)		(12,337)	
FUND BALANCE, BEGINNING OF YEAR	<u>833</u>			<u>771</u>		<u>2,751</u>		<u>43,393</u>		<u>689</u>		<u>-</u>		<u>48,437</u>	
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$</u>	<u>524</u>	<u>\$</u>	<u>1,598</u>	<u>\$</u>	<u>3,868</u>	<u>\$</u>	<u>29,942</u>	<u>\$</u>	<u>308</u>	<u>\$</u>	<u>(140)</u>	<u>\$</u>	<u>36,100</u>	

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2007**

	E.H. Parriott Scholarship Trust Principal Fund	E.H. Parriott Scholarship Trust Income Fund	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 57,694	\$ 57,694
Investments	629,816	181,408	811,224
Rent receivable	14,871	-	14,871
Interest receivable	1,489	623	2,112
Due from other funds	-	17,401	17,401
Property and equipment, net	749,264	-	749,264
Total assets	<u>1,395,440</u>	<u>257,126</u>	<u>1,652,566</u>
LIABILITIES			
Accounts payable	-	6,122	6,122
Due to other funds	17,401	-	17,401
Deposits	2,600	-	2,600
Deferred revenue	7,729	-	7,729
Total liabilities	<u>27,730</u>	<u>6,122</u>	<u>33,852</u>
NET ASSETS			
Held in trust for other purposes	<u>\$ 1,367,710</u>	<u>\$ 251,004</u>	<u>\$ 1,618,714</u>

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
Year Ended June 30, 2007

	E.H. Parriott Scholarship Trust Principal Fund	E.H. Parriott Scholarship Trust Income Fund	Total
ADDITIONS:			
Local sources			
Rent	\$ 100,337	\$ -	\$ 100,337
Interest and dividends	26,962	7,259	34,221
Total additions	<u>127,299</u>	<u>7,259</u>	<u>134,558</u>
DEDUCTIONS:			
Purchased services	-	30,214	30,214
Supplies and materials	-	1,130	1,130
Scholarships	-	65,750	65,750
Depreciation	9,244	-	9,244
Total deductions	<u>9,244</u>	<u>97,094</u>	<u>106,338</u>
EXCESS (DEFICIENCY) OF ADDITIONS OVER (UNDER) DEDUCTIONS	<u>118,055</u>	<u>(89,835)</u>	<u>28,220</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	118,787	118,787
Transfers out	(118,787)	-	(118,787)
Total other financing sources (uses)	<u>(118,787)</u>	<u>118,787</u>	<u>-</u>
CHANGES IN NET ASSETS	(732)	28,952	28,220
NET ASSETS, BEGINNING OF YEAR	<u>1,368,442</u>	<u>222,052</u>	<u>1,590,494</u>
NET ASSETS, END OF YEAR	<u>\$ 1,367,710</u>	<u>\$ 251,004</u>	<u>\$ 1,618,714</u>

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2007**

	<u>Distributive Fund</u>	<u>Distributive Interest Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 1,348	\$ 1,348
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other governmental units	\$ -	\$ 1,348	\$ 1,348

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2007**

	<u>Balance, July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2007</u>
DISTRIBUTIVE FUND				
ASSETS				
Cash	\$ -	\$ 2,804,508	\$ 2,804,508	\$ -
LIABILITIES				
Due to other governmental units	\$ -	\$ 2,804,508	\$ 2,804,508	\$ -
 DISTRIBUTIVE INTEREST FUND				
ASSETS				
Cash	\$ 6,488	\$ 1,873	\$ 7,013	\$ 1,348
LIABILITIES				
Due to other governmental units	\$ 6,488	\$ 1,873	\$ 7,013	\$ 1,348
 TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 6,488	\$ 2,806,381	\$ 2,811,521	\$ 1,348
LIABILITIES				
Due to other governmental units	\$ 6,488	\$ 2,806,381	\$ 2,811,521	\$ 1,348

CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
 REGIONAL OFFICE OF EDUCATION #8
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
 June 30, 2007

<u>Program</u>	Eagle Ridge Vocational Delivery System	Carroll-Jo Davies- Stephenson ROE	ROE Programs and Services	Stephenson ROE	<u>Totals</u>
General State Aid	\$ -	\$ 324,996	\$ 173,195	\$ -	\$ 498,191
Voc. Ed - Secondary Program Improve.	311,885	-	-	-	311,885
Voc. Ed - Agriculture Education	17,841	-	-	-	17,841
ROE School Bus Driver Training	-	720	-	-	720
Truants Alternative Optional Education	-	-	164,776	-	164,776
Regional Safe Schools	-	140,412	-	-	140,412
Early Childhood Block Grant	-	-	1,173,148	-	1,173,148
ROE/ISC Operations	-	-	-	73,402	73,402
Supervisory	-	-	-	3,000	3,000
Learning Technology Centers	-	60,030	-	60,030	60,030
Title V - Formula	-	101	-	-	101
Title I - Migrant Education	-	-	-	5,272	5,272
Title VI - Safe/Drug Free	-	-	-	9,284	9,284
Voc. Ed - Perkins Title IIC Secondary	55,565	-	-	-	55,565
Title II - Teacher Quality	-	290,881	-	-	290,881
Totals	\$ 385,291	\$ 908,098	\$ 1,511,119	\$ -	\$ 2,804,508

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007**

Federal Grantor/Pass- Through Grantor, Program or Cluster Title	<u>CFDA Number</u>	<u>Project Number (1st 8 digits) or Contract #</u>	<u>Federal Expenditures 7/1/2006 - 6/30/2007</u>
U.S. Dept. of Education passed through Illinois State Board of Education:			
Title IV - Safe and Drug Free Schools Formula	84.186A	07-4400-00	\$ 9,284
Title V - Innovative Programs-Formula	84.298A	07-4100-00	101
(M) Title II - Teacher Quality	84.367A	07-4932-00	290,881
Title I - Migrant Education	84.011A	07-4340-01	<u>377</u>
Total passed through Illinois State Board of Education			<u>300,643</u>
U.S. Dept. of Education passed through Illinois Department of Human Services:			
Early Intervention	84.181	11G5745721	268,219
Early Intervention - non-cash (Note 4)	84.181	11G5745721	<u>176,769</u>
Total passed through Illinois Department of Human Services			<u>444,988</u>
U.S. Dept. of Education passed through Kishwaukee Intermediate Delivery System:			
System of Support	84.367	07-4935-SS	14,263
Standards Aligned Classroom	84.289A	07-4999-00	<u>18,468</u>
Total passed through Kishwaukee Delivery System			<u>32,731</u>
Total passed through U.S. Dept. of Education			<u>778,362</u>
U.S. Dept. of Labor passed through Partners for Employment:			
Workforce Investment Act	17.259	06-68104-01	<u>44,886</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 823,248</u>

(M) Program was audited as a major program.

The accompanying notes are an integral part of this schedule.

**CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES
REGIONAL OFFICE OF EDUCATION #8
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007**

NOTE 1 - REPORTING ENTITY BASIS OF PRESENTATION AND ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 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 preparation of these basic financial statements.

NOTE 2 - SUBRECIPIENTS

Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, Carroll, Jo Daviess, and Stephenson Counties Regional Office of Education #8 provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA#</u>	<u>Amount Provided To Subrecipients</u>
System of Support	84.367	<u>\$ 3,000</u>

NOTE 3 - DESCRIPTION OF MAJOR FEDERAL PROGRAM

The Title II - Teacher Quality grant is used to account for grant monies received for, and payment of, expenditures incurred in providing workshops to improve teacher quality.

NOTE 4 - NON-CASH ASSISTANCE

Non-cash assistance is reported in the schedule at the fair market value of the non-cash assistance received and disbursed.

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.