

State of Illinois  
**ROCK ISLAND COUNTY**  
**REGIONAL OFFICE OF EDUCATION NO. 49**  
**FINANCIAL AUDIT**  
(In Accordance with the Single Audit Act  
and OMB Circular A-133)  
For the Year Ended June 30, 2006

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

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49

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**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**

**OFFICIALS**

Regional Superintendent  
(current and during the audit period)

Honorable Joseph A. Verneire

Assistant Regional Superintendent  
(July 1, 2006 - December 30, 2006)

Mr. John Flaherty

Assistant Regional Superintendent  
(January 1, 2007 - June 30, 2007)(current)

Mr. Randall Goddard

Office is located at:

3430 Avenue of the Cities  
Moline, Illinois 61265

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**

**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	1	2
Repeated audit findings	1	1
Prior recommendations implemented or not repeated	1	2

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

**SUMMARY OF FINDINGS AND QUESTIONED COSTS**

Item No.    Page            Description

FINDINGS (GOVERNMENT AUDITING STANDARDS)

06-1            11-13            Controls Over Compliance with Laws and Regulations

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

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

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

05-1            17                Inaccurate Expenditure Report

**INFORMAL EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on September 1, 2006. Attending were Mr. Joseph A. Vermeire, Regional Superintendent and Joe Hoerschelmann. Responses to the recommendations were provided by Mr. Joseph A. Vermeire, Regional Superintendent, on February 19, 2007.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**

**FINANCIAL STATEMENT REPORT SUMMARY**

The audit of the accompanying basic financial statements of Rock Island County Regional Office of Education No. 49 was performed by Clifton Gunderson LLP.

Based on their audit, the auditors expressed an unqualified opinion on Rock Island County Regional Office of Education No. 49's basic financial statements.

## INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rock Island County Regional Office of Education No. 49, as of and for the year ended June 30, 2006, which collectively comprise the Rock Island County Regional Office of Education No. 49's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Rock Island County Regional Office of Education No. 49's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rock Island County Regional Office of Education No. 49, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 1, 2006 on our consideration of the Rock Island County Regional Office of Education No. 49'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 29 and page 56 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rock Island County Regional Office of Education No. 49's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and 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. 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 Gundersen LLP*

Clinton, Iowa  
September 1, 2006

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

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rock Island County Regional Office of Education No. 49, as of and for the year ended June 30, 2006, which collectively comprise the Rock Island County Regional Office of Education No. 49's basic financial statements and have issued our report thereon dated September 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Rock Island County Regional Office of Education No. 49's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Rock Island County Regional Office of Education No. 49's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance which we reported on the accompanying Schedule of Findings and Questioned Costs as item 06-1.

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

*Clifton Henderson LLP*

Clinton, Iowa  
September 1, 2006

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

Honorable William G. Holland  
Auditor General  
State of Illinois

**Compliance**

We have audited the compliance of the Rock Island County Regional Office of Education No. 49 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Rock Island County Regional Office of Education No. 49'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 Rock Island County Regional Office of Education No. 49's management. Our responsibility is to express an opinion on the Rock Island County Regional Office of Education No. 49'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 Rock Island County Regional Office of Education No. 49's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Rock Island County Regional Office of Education No. 49's compliance with those requirements.

In our opinion, the Rock Island County Regional Office of Education No. 49 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

## **Internal Control Over Compliance**

The management of the Rock Island County Regional Office of Education No. 49 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Rock Island County Regional Office of Education No. 49's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

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

*Clifton Henderson LLP*

Clinton, Iowa  
September 1, 2006

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2006**

**Section I: Summary of Auditor's Results:**

**Financial Statements**

Type of auditor's report issued: \_\_\_\_\_ Unqualified \_\_\_\_\_

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes      x   no
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes      x   none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes      x   no

**Federal Awards**

Internal control over major programs:

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

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

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

Identification of major programs:

<b><u>CFDA Number(s)</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
<u>84.366</u>	<u>Mathematics and Science Partnership</u>
<u>84.287</u>	<u>Title IV - 21st Century Community Learning Centers (Lights On)</u>
<u>84.287</u>	<u>Title IV - 21st Century Community Learning Centers</u>
<u>84.287</u>	<u>Title IV - 21st Century Community Learning Centers (Edison)</u>
<u>84.287</u>	<u>Title IV - 21st Century Community Learning Centers (RIHS UTHS)</u>

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

Auditee qualified as low-risk auditee? \_\_\_\_\_   x   yes    \_\_\_\_\_ no

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2006**

**Section II: Findings Related to the Financial Statements:**

**FINDING NO. 06-1 -Controls Over Compliance with Laws and Regulations** (Repeat from 2005 - No. 05-2)

Criteria/specific requirements:

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

Conditions:

- A. The Regional Office of Education No. 49 is not examining all books, accounts, and vouchers of every school treasurer in its educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school districts in his region. In addition, the Regional Office reviews any exceptions or findings in audit reports for each of the school districts. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

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

- B. The Regional Office of Education No. 49 performs compliance inspections for each public school in its region on a rotational basis every three years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a complete review of all items for every school.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2006**

**Section II: Findings Related to the Financial Statements:**

**FINDING NO. 06-1 -Controls Over Compliance with Laws and Regulations** (Repeat from 2005 - No. 05-2) (Continued)

Effect:

The Regional Office of Education No. 49 did not comply with statutory requirements.

Causes:

- A. According to ROE Officials, this mandate is not possible due to the time requirement and knowledge necessary for a thorough review of every school district's books, accounts, and vouchers. The Regional Superintendent instead relies on audit opinions provided by the independent auditors of each school district.
- B. According to the ROE Officials, inspections are performed for each school, however not all items are inspected every year.

Recommendations:

- A. The Regional Office of Education No. 49 should comply with the requirements of 105 ILCS 5/3-14.11.
- B. The Regional Superintendent should visit each public school annually to review all items required by 105 ILCS 5/3-14.5.

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

Management's Responses:

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

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2006**

**Section II: Findings Related to the Financial Statements:**

**FINDING NO. 06-1 -Controls Over Compliance with Laws and Regulations** (Repeat from 2005 - No. 05-2) (Continued)

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

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006**

**Section III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NONCOMPLIANCE:**

None

**REPORTABLE CONDITIONS:**

None

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS**  
**June 30, 2006**

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

Conditions:

- A. The Regional Office of Education No. 49 is not examining all books, accounts, and vouchers of every school treasurer in its educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school districts in his region. In addition, the Regional Office reviews any exceptions or findings in audit reports for each of the school districts. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

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

- B. The Regional Office of Education No. 49 performs compliance inspections for each public school in its region on a rotational basis every three years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a complete review of all items for every school.

Plans:

- A. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 5/3-7 of the Illinois School Code is a more current, thorough, and comprehensive requirement concerning a public school district's financial transactions. As a result, the two parties working together will seek legislation to repeal section 5/3-14.11 of the Illinois School Code.
- B. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 1.20 of the 23<sup>rd</sup> Illinois Administrative Code is a more current, thorough, and comprehensive requirement concerning visitation of public schools by the Regional Superintendent. As a result, the two parties working together will seek legislation to repeal section 5/3-14.5 of the Illinois School Code.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
June 30, 2006**

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

Anticipated Completion Date:

As soon as possible

Contact Person Responsible for Corrective Action:

Mr. Joseph A. Vermeire, Regional Superintendent

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**June 30, 2006**

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
05-1	Inaccurate Expenditure Report	Resolved
05-2	Controls Over Compliance with Laws and Regulations	Repeated

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

Rock Island County Regional Office of Education No. 49 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with Rock Island County Regional Office of Education No. 49's financial statements, which follow.

**2006 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$403,664 in fiscal year 2005 to \$399,166 in fiscal year 2006. The reason for the change is attributable to a decrease in on-behalf payments. General Fund expenditures also decreased from \$403,664 in fiscal year 2005 to \$399,166 in fiscal year 2006. Again, the change is mainly due to a decrease in on-behalf payments. Rock Island County Regional Office of Education No. 49's General Fund balance remained constant at \$-0-. The General Fund of Rock Island County Regional Office of Education No. 49 consists only of the ROE Operations grant, which decreased this year by 5%.
- Institute Fund revenues increased \$1,325 from \$38,671 in fiscal year 2005 to \$39,996 in fiscal year 2006. The increase was primarily due to an increase in certificate registration and application revenue. Expenses in the Institute Fund increased \$4,672 from \$18,322 in fiscal year 2005 to \$22,994 in fiscal year 2006. This increase was primarily due to increase in cost of administrator meetings and conferences.
- Education Fund revenues decreased from \$3,518,099 in fiscal year 2005 to \$2,831,239 in fiscal year 2006. Expenses also decreased from \$3,521,281 in fiscal year 2005 to \$2,831,239 in fiscal year 2006. The decrease in revenues and expenses in the Education Fund is due to a decrease in grant funding.
- Enterprise Workshop Fund revenues increased \$53,768 from \$780,752 in fiscal year 2005 to \$834,520 in fiscal year 2006. This increase was primarily due to the increase of workshops held.
- Overall fiscal year 2006 revenues decreased 11% from \$4,638,748 in fiscal year 2005 to \$4,122,958 in fiscal year 2006. Overall fiscal year 2006 expenses decreased 14% from \$4,726,404 in fiscal year 2005 to \$4,081,760 in fiscal year 2006.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

**USING THIS ANNUAL REPORT**

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of Rock Island County Regional Office of Education No. 49'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 Rock Island County Regional Office of Education No. 49 as a whole and present an overall view of Rock Island County Regional Office of Education No. 49'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 Rock Island County Regional Office of Education No. 49'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 Rock Island County Regional Office of Education No. 49 acts solely as an agent or custodian for the benefit of those outside of Rock Island County Regional Office of Education No. 49.

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.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2006**

Figure A-1 summarizes the major features of Rock Island County Regional Office of Education No. 49's financial statements, including the portion of Rock Island County Regional Office of Education No. 49's activities they cover and the types of information they contain.

*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 Rock Island County Regional Office of Education No. 49 (except fiduciary funds)	The activities of Rock Island County Regional Office of Education No. 49 that are not proprietary or fiduciary, such as grants and statutory funds	Activities Rock Island County Regional Office of Education No. 49 operates similar to private businesses: Workshops	Instances in which Rock Island County Regional Office of Education No. 49 administers resources on behalf of someone else, such as the Distributive Fund
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Revenues, Expenses, and Changes in Fund Net Assets</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Assets</li> <li>• Statement of Changes in Fiduciary Net Assets</li> </ul>
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; funds do not currently contain capital assets, although they can
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

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2006**

**REPORTING ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49'S FINANCIAL ACTIVITIES**

***Government-wide Financial Statements***

The government-wide financial statements report information about Rock Island County Regional Office of Education No. 49 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of Rock Island County Regional Office of Education No. 49'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 Rock Island County Regional Office of Education No. 49's net assets and how they have changed. Net assets - the difference between Rock Island County Regional Office of Education No. 49's assets and liabilities - are one way to measure Rock Island County Regional Office of Education No. 49's financial health or financial position. Over time, increases or decreases in Rock Island County Regional Office of Education No. 49's net assets are an indicator of whether financial position is improving or deteriorating. To assess Rock Island County Regional Office of Education No. 49's overall health, additional non-financial factors, such as changes in Rock Island County Regional Office of Education No. 49's grant funding and the condition of facilities need to be considered.

In the government-wide financial statements, Rock Island County Regional Office of Education No. 49's activities are divided into two categories:

- *Governmental activities:* Most of Rock Island County Regional Office of Education No. 49'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:* Rock Island County Regional Office of Education No. 49 charges fees to help cover the costs of certain services it provides. Rock Island County Regional Office of Education No. 49's workshop fund is included here.

***Fund Financial Statements***

The fund financial statements provide more detailed information about Rock Island County Regional Office of Education No. 49's funds, focusing on its most significant or "major" funds - not Rock Island County Regional Office of Education No. 49 as a whole. Funds are accounting devices Rock Island County Regional Office of Education No. 49 uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law. Rock Island County Regional Office of Education No. 49 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.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

Rock Island County Regional Office of Education No. 49 has three kinds of funds:

1) *Governmental funds*: Most of Rock Island County Regional Office of Education No. 49'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 Rock Island County Regional Office of Education No. 49's programs.

Rock Island County Regional Office of Education No. 49'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 Rock Island County Regional Office of Education No. 49 charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. Rock Island County Regional Office of Education No. 49'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. Rock Island County Regional Office of Education No. 49 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*: Rock Island County Regional Office of Education No. 49 is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.

- Agency Funds - These are funds through which Rock Island County Regional Office of Education No. 49 administers and accounts for certain federal and/or state grants on behalf of others.

Rock Island County Regional Office of Education No. 49 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. Rock Island County Regional Office of Education No. 49 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 includes a Statement of Fiduciary Net Assets.

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

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2006**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of Rock Island County Regional Office of Education No. 49, assets exceeded liabilities by \$883,096 as of June 30, 2006.

A portion of Rock Island County Regional Office of Education No. 49's net assets (12 %) reflects its investment in capital assets (e.g., furniture and equipment), less any related debt used to acquire those assets that is still outstanding. Although Rock Island County Regional Office of Education No. 49'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.

Rock Island County Regional Office of Education No. 49'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 Rock Island County Regional Office of Education No. 49's net assets for the fiscal year ended June 30, 2006 and 2005.

<u>2006</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Current assets	\$ 501,345	\$ 633,389	\$ 1,134,734
Capital assets, net of accumulated depreciation	<u>72,742</u>	<u>35,276</u>	<u>108,018</u>
Total assets	<u>574,087</u>	<u>668,665</u>	<u>1,242,752</u>
Current liabilities	<u>359,656</u>	<u>-</u>	<u>359,656</u>
Net assets			
Invested in capital assets, net of related debt	72,742	35,276	108,018
Unrestricted	15,953	633,389	649,342
Restricted for teacher professional development	<u>125,736</u>	<u>-</u>	<u>125,736</u>
<b>Total net assets</b>	<u>\$ 214,431</u>	<u>\$ 668,665</u>	<u>\$ 883,096</u>
<u>2005</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Current assets	\$ 677,374	\$ 585,062	\$ 1,262,436
Capital assets, net of accumulated depreciation	<u>93,975</u>	<u>44,357</u>	<u>138,332</u>
Total assets	<u>771,349</u>	<u>629,419</u>	<u>1,400,768</u>
Current liabilities	<u>558,278</u>	<u>592</u>	<u>558,870</u>
Net assets			
Invested in capital assets, net of related debt	93,975	44,357	138,332
Unrestricted	10,362	584,470	594,832
Restricted for teacher professional development	<u>108,734</u>	<u>-</u>	<u>108,734</u>
<b>Total net assets</b>	<u>\$ 213,071</u>	<u>\$ 628,827</u>	<u>\$ 841,898</u>

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

The largest portion of Rock Island County Regional Office of Education No. 49's net assets is unrestricted. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements were \$649,342 and \$703,566 for 2006 and 2005, respectively. In addition, net assets related to the Institute Fund are considered restricted for teacher professional development.

**Changes in net assets.** Rock Island County Regional Office of Education No. 49's total revenue for the fiscal year ended June 30, 2006 was \$4,122,958. The total cost of all programs and services was \$4,081,760. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 and 2005.

<u>2006</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ -	\$ 834,520	\$ 834,520
Operating grants and contributions	2,945,720	-	2,945,720
General revenues			
Local sources	56,433	-	56,433
State sources	17,147	-	17,147
On-behalf payments	269,138	-	269,138
Total revenues	<u>3,288,438</u>	<u>834,520</u>	<u>4,122,958</u>
<b>Expenses</b>			
Instructional services			
Salaries	821,487	-	821,487
Benefits	75,877	-	75,877
Purchased services	1,749,020	-	1,749,020
Supplies and materials	101,040	-	101,040
Capital outlay	4,391	-	4,391
Other objects	1,431	-	1,431
Payments to other governments	229,169	-	229,169
Depreciation	35,525	-	35,525
Administrative			
On-behalf payments	269,138	-	269,138
Other	-	794,682	794,682
Total expenses	<u>3,287,078</u>	<u>794,682</u>	<u>4,081,760</u>
Change in net assets	1,360	39,838	41,198
<b>Net assets, beginning of year</b>	<u>213,071</u>	<u>628,827</u>	<u>841,898</u>
<b>Net assets, end net assets</b>	<u>\$ 214,431</u>	<u>\$ 668,665</u>	<u>\$ 883,096</u>

Operating grants and contributions account for 71% of the total revenue. Rock Island County Regional Office of Education No. 49's expenses primarily relate to instructional services, which account for 74% of the total expenses.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2006**

<u>2005</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ -	\$ 780,752	\$ 780,752
Operating grants and contributions	3,522,852	-	3,522,852
General revenues			
Local sources	60,639	-	60,639
State sources	1,600	-	1,600
Investment earnings	-	4,302	4,302
On-behalf payments	<u>268,603</u>	-	<u>268,603</u>
Total revenues	<u>3,853,694</u>	<u>785,054</u>	<u>4,638,748</u>
<b>Expenses</b>			
Instructional services			
Salaries	674,800	-	674,800
Benefits	61,502	-	61,502
Purchased services	1,428,248	-	1,428,248
Supplies and materials	171,167	-	171,167
Capital outlay	14,535	-	14,535
Other objects	529	-	529
Payments to other governments	1,315,980	-	1,315,980
Depreciation	33,091	-	33,091
Administrative			
On-behalf payments	268,603	-	268,603
Other	<u>-</u>	<u>757,949</u>	<u>757,949</u>
Total expenses	<u>3,968,455</u>	<u>757,949</u>	<u>4,726,404</u>
Change in net assets	(114,761)	27,105	(87,656)
<b>Net assets, beginning of year</b>	<u>327,832</u>	<u>601,722</u>	<u>929,554</u>
<b>Net assets, end net assets</b>	<u>\$ 213,071</u>	<u>\$ 628,827</u>	<u>\$ 841,898</u>

Operating grants and contributions account for 76% of the total revenue. Rock Island County Regional Office of Education No. 49's expenses primarily relate to instructional services, which account for 78% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$3,288,438 and \$3,853,694 and expenses were \$3,287,078 and \$3,968,455 for 2006 and 2005, respectively.

The following table presents the cost of Rock Island County Regional Office of Education No. 49's functional governmental activities. The table also shows 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 Rock Island County Regional Office of Education No. 49's residents by each of these functions.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

<u>2006</u>	<u>Total Expenses</u>	<u>Net (Expenses) Revenues</u>
Instructional services		
Salaries	\$ 821,487	\$ (4,929)
Benefits	75,877	(455)
Purchased services	1,749,020	(41,281)
Supplies and materials	101,040	(2,462)
Capital outlay	4,391	14,180
Other objects	1,431	(373)
Payments to other governments	229,169	(1,375)
Depreciation	35,525	(35,525)
Administrative		
On-behalf payments	<u>269,138</u>	<u>(269,138)</u>
<b>Total expenses</b>	<b><u>\$ 3,287,078</u></b>	<b><u>\$ (341,358)</u></b>
 <u>2005</u>	 <u>Total Expenses</u>	 <u>Net (Expenses) Revenues</u>
Instructional services		
Salaries	\$ 674,800	\$ (19,616)
Benefits	61,502	(2,446)
Purchased services	1,428,248	(70,023)
Supplies and materials	171,167	(17,918)
Capital outlay	14,535	22,948
Other objects	529	(529)
Payments to other governments	1,315,980	(56,325)
Depreciation	33,091	(33,091)
Administrative		
On-behalf payments	<u>268,603</u>	<u>(268,603)</u>
<b>Total expenses</b>	<b><u>\$ 3,968,455</u></b>	<b><u>\$ (445,603)</u></b>

- The cost of all governmental activities was \$3,287,078 and \$3,968,455 for 2006 and 2005, respectively.
- Federal and state governments subsidized certain governmental activities with grants and contributions of \$2,945,720 and \$3,522,852 for 2006 and 2005, respectively.

Net cost of governmental activities (\$341,358), was financed by general revenues, which are made up of primarily local and state sources (\$73,580) and on-behalf payments (\$269,138) for 2006.

Net cost of governmental activities (\$445,603), was financed by general revenues, which are made up of primarily local and state sources (\$62,239) and on-behalf payments (\$268,603) for 2005.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

**Business-Type Activities**

Revenues for business type-activities were \$834,520 and \$785,054 and expenses were \$794,682 and \$757,949 for 2006 and 2005, respectively. Rock Island County Regional Office of Education No. 49's business-type activities include the Workshop Fund. Revenues of these activities were comprised of charges for service.

Business-type activities increased with additional participation in workshops and increased fees due to decline in state support of ROE activities.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, Rock Island County Regional Office of Education No. 49 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of Rock Island County Regional Office of Education No. 49 as a whole is reflected in its governmental funds, as well. As Rock Island County Regional Office of Education No. 49 completed the year, its governmental funds reported a combined fund balance of \$141,689, above last year's ending fund balances of \$119,096.

**Governmental Fund Highlights**

The Institute Fund balance increased from \$108,734 in 2005 to \$125,736 in 2006. The increase was primarily due to the increase in certificate registrations and applications.

The Education Fund balance remained constant at \$-0- in 2006. This fund balance should remain constant since it is made up of grants that are required to be expended within the applicable grant year. This fact was seen as overall 2006 revenues decreased 20% from \$3,518,099 in fiscal year 2005 to \$2,831,239 in fiscal year 2006 due mostly to a decrease in grant awards with overall 2006 expenses decreasing as well at 20% from \$3,521,281 in fiscal year 2005 to \$2,831,239 in fiscal year 2006.

**Proprietary Fund Highlights**

Workshop Fund net assets increased from \$628,827 at June 30, 2005 to \$668,665 at June 30, 2006, representing an increase of approximately 6% due to an increase of workshops being held.

**BUDGETARY HIGHLIGHTS**

Rock Island County Regional Office of Education No. 49 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, Rock Island County Regional Office of Education No. 49 amended several of the grant budgets within the Education Fund.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2006**

**CAPITAL ASSETS**

As of June 30, 2006, Rock Island County Regional Office of Education No. 49 had invested \$108,018 in capital assets, including furniture and equipment. This amount represents a net increase prior to depreciation of \$28,335 from last year. Total depreciation expense for the year was \$58,649.

The following schedules present capital asset balances net of depreciation for the fiscal years ended June 30, 2006 and 2005.

<u>2006</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Furniture and equipment	\$ 72,742	\$ 35,276	\$ 108,018
<u>2005</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Furniture and equipment	\$ 93,975	\$ 44,357	\$ 138,332

Additional information on Rock Island County Regional Office of Education No. 49's capital assets can be found in Note 3 on page 48 of this report.

**ECONOMIC FACTORS BEARING ON ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49'S FUTURE**

At the time these financial statements were prepared and audited, Rock Island County Regional Office of Education No. 49 was aware of several existing circumstances that could significantly affect its financial health in the future.

Fiscal year 2007 will bring additional Preschool For All Early Childhood state grant dollars of approximately \$900,000 per year in conjunction with local childcare centers. Additional dollars of \$84,000 for Truancy grant will not completely cover last year's loss, but certainly is a step in the right direction. The Rock Island County ROE will continue to watch its finances and work to service its educational clients well.

**CONTACTING ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49'S FINANCIAL MANAGEMENT**

This financial report is designed to provide Rock Island County Regional Office of Education No. 49's citizens, taxpayers, customers and creditors with a general overview of Rock Island County Regional Office of Education No. 49's finances and to demonstrate Rock Island County Regional Office of Education No. 49's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rock Island County Regional Office of Education No. 49, 3430 Avenue of the Cities, Moline, Illinois 61265.

## **BASIC FINANCIAL STATEMENTS**

**ROCK ISLAND REGIONAL OFFICE OF EDUCATION NO. 49**  
**STATEMENT OF NET ASSETS**  
**June 30, 2006**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 447,345	\$ 563,091	\$ 1,010,436
Due from other governments	54,000	-	54,000
Other assets	-	70,298	70,298
<b>Total current assets</b>	<u>501,345</u>	<u>633,389</u>	<u>1,134,734</u>
Noncurrent assets:			
Capital assets, being depreciated, net	72,742	35,276	108,018
<b>Total assets</b>	<u>574,087</u>	<u>668,665</u>	<u>1,242,752</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	68,237	-	68,237
Due to other governments	61,439	-	61,439
Deferred revenue	229,980	-	229,980
<b>Total liabilities</b>	<u>359,656</u>	<u>-</u>	<u>359,656</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	72,742	35,276	108,018
Unrestricted	15,953	633,389	649,342
Restricted for teacher professional development	125,736	-	125,736
<b>Total net assets</b>	<u>\$ 214,431</u>	<u>\$ 668,665</u>	<u>\$ 883,096</u>

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

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2006**

**EXHIBIT B**

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Operating		Primary Government		Total
		Charges for Services	Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary government:						
Governmental activities:						
Instructional services:						
Salaries	\$ 821,487	\$ -	\$ 816,558	\$ (4,929)	\$ -	\$ (4,929)
Benefits	75,877	-	75,422	(455)	-	(455)
Purchased services	1,749,020	-	1,707,739	(41,281)	-	(41,281)
Supplies and materials	101,040	-	98,578	(2,462)	-	(2,462)
Capital outlay	4,391	-	18,571	14,180	-	14,180
Other objects	1,431	-	1,058	(373)	-	(373)
Payments to other governments	229,169	-	227,794	(1,375)	-	(1,375)
Depreciation	35,525	-	-	(35,525)	-	(35,525)
Administrative:						
On-behalf payments	269,138	-	-	(269,138)	-	(269,138)
Total governmental activities	3,287,078	-	2,945,720	(341,358)	-	(341,358)
Business-type activities:						
Other	794,682	834,520	-	-	39,838	39,838
<b>Total primary government</b>	<b>\$ 4,081,760</b>	<b>\$ 834,520</b>	<b>\$ 2,945,720</b>	<b>(341,358)</b>	<b>39,838</b>	<b>(301,520)</b>
General revenues:						
Local sources				56,433	-	56,433
State sources				17,147	-	17,147
On-behalf payments				269,138	-	269,138
Total general revenues				342,718	-	342,718
<b>CHANGES IN NET ASSETS</b>				1,360	39,838	41,198
<b>NET ASSETS, BEGINNING OF YEAR</b>				213,071	628,827	841,898
<b>NET ASSETS, END OF YEAR</b>				<b>\$ 214,431</b>	<b>\$ 668,665</b>	<b>\$ 883,096</b>

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

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2006**

**EXHIBIT C**

	<b>General Fund</b>	<b>Institute Fund</b>	<b>Education Fund</b>	<b>Other Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 125,736	\$ 305,656	\$ 15,953	\$ 447,345
Due from other governments	-	-	54,000	-	54,000
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 125,736</b>	<b>\$ 359,656</b>	<b>\$ 15,953</b>	<b>\$ 501,345</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ 68,237	\$ -	\$ 68,237
Due to other governments	-	-	61,439	-	61,439
Deferred revenue	-	-	229,980	-	229,980
Total liabilities	-	-	359,656	-	359,656
<b>FUND BALANCES</b>					
Unreserved, reported in:					
General fund	-	-	-	-	-
Special revenue funds	-	125,736	-	15,953	141,689
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 125,736</b>	<b>\$ 359,656</b>	<b>\$ 15,953</b>	<b>\$ 501,345</b>

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

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2006**

<b>Total fund balances - governmental funds (page 33)</b>	\$ 141,689
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	<u>72,742</u>
<b>Net assets of governmental activities (page 31)</b>	<u><u>\$ 214,431</u></u>

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

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2006**

	<u>General Fund</u>	<u>Institute Fund</u>	<u>Education Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>					
Local sources	\$ -	\$ 39,996	\$ -	\$ 16,437	\$ 56,433
State sources	130,028	-	1,605,983	1,600	1,737,611
Federal sources	-	-	1,225,256	-	1,225,256
On-behalf payments	269,138	-	-	-	269,138
Total revenues	<u>399,166</u>	<u>39,996</u>	<u>2,831,239</u>	<u>18,037</u>	<u>3,288,438</u>
<b>EXPENDITURES:</b>					
Current:					
Education:					
Salaries	62,822	-	758,665	-	821,487
Benefits	6,036	-	69,841	-	75,877
Purchased services	50,950	22,709	1,665,252	10,109	1,749,020
Supplies and materials	9,156	285	89,629	1,970	101,040
Capital outlay	-	-	18,683	-	18,683
Other objects	1,064	-	-	367	1,431
Payments to other governments	-	-	229,169	-	229,169
On-behalf payments	269,138	-	-	-	269,138
Total expenditures	<u>399,166</u>	<u>22,994</u>	<u>2,831,239</u>	<u>12,446</u>	<u>3,265,845</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	17,002	-	5,591	22,593
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>-</u>	<u>108,734</u>	<u>-</u>	<u>10,362</u>	<u>119,096</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 125,736</u>	<u>\$ -</u>	<u>\$ 15,953</u>	<u>\$ 141,689</u>

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

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2006**

**Net change in fund balances (page 35)** \$ 22,593

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 outlays	\$ 14,292	
Depreciation expense	<u>(35,525)</u>	<u>(21,233)</u>

**Change in net assets of governmental activities (page 32)** \$ 1,360

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

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2006**

	<b>Enterprise Fund Workshops</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 563,091
Other assets	70,298
Total current assets	633,389
Noncurrent assets:	
Capital assets, net of accumulated depreciation	35,276
Total assets	668,665
<b>LIABILITIES</b>	
None	-
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	35,276
Unrestricted	633,389
Total net assets	\$ 668,665

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

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2006**

	<b>Enterprise Fund Workshops</b>
Operating revenues:	
Charges for services	\$ 834,520
Operating expenses:	
Current:	
Education:	
Salaries	279,216
Benefits	23,417
Purchased services	337,123
Supplies and materials	25,113
Other objects	103
Payments to other governments	106,586
Depreciation expense	23,124
Total operating expenses	794,682
Income before contributions, gains/losses, and transfers	39,838
<b>Total net assets - beginning</b>	<b>628,827</b>
<b>Total net assets - ending</b>	<b>\$ 668,665</b>

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

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2006**

	<b>Enterprise Fund Workshops</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from workshops	\$ 767,212
Payments to suppliers and providers of goods and services	(469,517)
Payments to employees	(302,633)
Net cash used for operating activities	(4,938)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of capital assets	(14,043)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(18,981)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	582,072
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 563,091
 <b>Reconciliation of operating income to net cash used for operating activities:</b>	
Operating income	\$ 39,838
Adjustments to reconcile operating income to net cash used for operating activities:	
Depreciation	23,124
Change in assets and liabilities:	
Increase in other assets	(67,308)
Decrease in accounts payable	(592)
<b>Net cash used for operating activities</b>	\$ (4,938)

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

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**June 30, 2006**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>42,624</u>
<b>LIABILITIES</b>	
Due to others	\$ 10,451
Due to other governments	32,173
Total liabilities	<u>\$ 42,624</u>

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

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2006**

The Rock Island County Regional Office of Education No. 49 was created when an Educational Service Region became a Regional Office of Education on August 7, 1995. The Rock Island County Regional Office of Education No. 49 operates under the School Code (105 ILCS 5/3 and 5/3A). The Regional Office of Education encompasses Rock Island County, Illinois. A Regional Superintendent of Schools serves as Chief Administrative Officer of Rock Island County Regional Office of Education No. 49 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 Rock Island County Regional Office of Education No. 49 also include, but are not limited to the following:

- Processing teachers' certificates;
- Teaching initial and refresher classes for school bus drivers within Rock Island County Regional Office of Education No. 49;
- 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; and
- Encouraging camaraderie among teachers through the teachers' institute.

The Regional Office of Education No. 49's accounting policies conform to generally accepted accounting principles which are appropriate to local governmental agencies of this type.

A. Principles Used to Determine the Scope of the Reporting Entity

The Rock Island County Regional Office of Education No. 49's reporting entity includes all related organizations for which it exercises oversight responsibility.

The Rock Island County Regional Office of Education No. 49 has developed criteria to determine whether outside agencies with activities which benefit the citizens of Rock Island County Regional Office of Education No. 49, including joint agreements which serve pupils from numerous school districts, should be included within its financial reporting entity. The criteria include but are not limited to, whether Rock Island County Regional Office of Education No. 49 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The Rock Island County Regional Office of Education No. 49 has determined that no outside agency meets the above criteria and, therefore, no agency has been included as a component unit in the Regional Office of Education No. 49's financial statements. In addition, the Regional Office of Education No. 49 is not aware of any entity which would exercise such oversight which would result in the Regional Office of Education No. 49 being considered a component unit of the entity.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2006**

B. Basis of Presentation

**Government-wide Financial Statements** - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of Rock Island County Regional Office of Education No. 49. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by intergovernmental and local revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents Rock Island County Regional Office of Education No. 49'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 that can be removed or modified.

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, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

Rock Island County Regional Office of Education No. 49 reports the following major governmental funds:

The General Fund is the operating fund of Rock Island County Regional Office of Education No. 49. The General Fund accounts for all financial resources except those required to be accounted for in another fund.

The Institute Fund is used to account for the stewardship of the assets held in trust for the benefit of Rock Island County Regional Office of Education No. 49's teachers. Fees are collected from registration of teachers' certificates of qualification. Monies are expended

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2006**

to conduct teachers' institutes, conferences, and workshops. All funds generated remain restricted until expended only on the aforementioned activities.

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

Mathematics and Science Partnership - to account for grant monies received for, and payment of, the NIMS (Northwestern Illinois Math and Science) program.

Title IV - 21st Century - RIHS UTHS - to account for grant monies received for, and payment of, the 21st Century program at Rock Island High School and United Township High School.

Title IV - 21st Century Community Learning Centers - to account for grant monies received for, and payment of, the 21st Century program.

Title IV - 21st Century - Edison - to account for grant monies received for, and payment of, the 21st Century program at Edison Junior High School.

Step Ahead - to account for grant monies received for, and payment of, the Step Ahead program.

Technology Program - to account for grant monies received for, and payment of, the HUB/Learning Technology Center Technology Program.

Regional Safe Schools Program - to account for grant monies received for, and payment of, the Regional Safe Schools Program.

Truants' Alt. and Optional Education - to account for grant monies received for, and payment of, expenses of the Truants' Alt. and Optional Education Program.

Early Childhood Ages 0-3 - to account for grant monies received for, and payment of, expenses of early childhood education for children ages 0-3.

Early Childhood Ages 3-5 - to account for grant monies received for, and payment of, expenses of early childhood education for children ages 3-5.

Early Childhood Pre-K - to account for grant monies received for, and payment of, expenses of early childhood education for children preparing for kindergarten.

Title IV - 21st Century Community Learning Centers - Lights On - to account for the grant monies received for, and payment of, expenses to provide extended day programming at Community Learning Centers.

Technology Enhancing Education - Competitive - to account for grant monies received for, and payment of, expenses related to enhancing education by using technology.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2006**

McKinney Education for Homeless Children - to account for grant monies received for, and payment of, expenses for programs for educating homeless children.

Rock Island County Regional Office of Education No. 49 reports the following nonmajor governmental funds:

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

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

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

Rock Island County Regional Office of Education No. 49's proprietary fund is the Enterprise, Workshops Fund. This fund is used to account for workshops provided by the Rock Island County Regional Office of Education No. 49.

Rock Island County Regional Office of Education No. 49 reports fiduciary funds which focus on net assets and changes in net assets. Rock Island County Regional Office of Education No. 49's fiduciary funds include the following:

Agency Funds - Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. The Regional Superintendent maintains the following Agency Funds:

Distributive - used to account for funds distributed by the Illinois State Board of Education to Rock Island County Regional Office of Education No. 49. Rock Island County Regional Office of Education No. 49 is responsible for forwarding these monies to local school districts and private schools in Rock Island County.

Cafeteria Plan - used to account for funds collected through payroll deductions from participating employees. Rock Island County Regional Office of Education No. 49 is responsible for reimbursing the cost of employees' medical expenses.

Wishes Program - used to account for the funds received on-behalf of various schools within the region. Rock Island County Regional Office of Education No. 49 is responsible for forwarding these monies to local school districts in Rock Island County.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund 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.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2006**

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 Rock Island County Regional Office of Education No. 49.

Rock Island County Regional Office of Education No. 49 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, Rock Island County Regional Office of Education No. 49 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 Rock Island County Regional Office of Education No. 49's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of Rock Island County Regional Office of Education No. 49 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, and Accounting Principles Board Opinions.

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 Rock Island County Regional Office of Education No. 49's Enterprise Fund are charges to customers for services provided in workshops. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Rock Island County Regional Office of Education No. 49 maintains its financial records on the cash basis. The financial statements of Rock Island County Regional Office of Education No. 49 are prepared by making memorandum adjusting entries to the cash basis financial records.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2006**

D. 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 Rock Island County Regional Office of Education No. 49 are valued at cost.

Capital assets - Capital assets, which include furniture and equipment, are reported in the applicable governmental or business-type activities columns 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 Rock Island County Regional Office of Education No. 49 as assets with an initial, individual cost in excess of \$500 and estimated useful lives in excess of two years. Capital assets are depreciated using the straight line method over 5-10 years.

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

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

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

E. Budgets and Budgetary Accounting

Rock Island County Regional Office of Education No. 49 does not adopt a formal budget for all revenues and expenditures of the governmental funds and is not required to do so. Certain programs administered by the Rock Island County Regional Office of Education No. 49 are subject to budget approval by the State of Illinois (ROE Operations, Mathematics and Science Partnership, 21st Century - RIHS UTHS, 21st Century Community Learning Centers, 21st Century - Edison, Technology Program, Regional Safe Schools Program, Truants' Alt. and Optional Education, Early Childhood Ages 0-3, Early Childhood Ages 3-5, Early Childhood Pre-K, and McKinney Education for Homeless Children).

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

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1 - CASH AND CASH EQUIVALENTS**

The deposit of Rock Island County Regional Office of Education No. 49 monies is governed by the provisions of the Illinois Compiled Statutes.

Deposits

At June 30, 2006, the carrying amount of Rock Island County Regional Office of Education No. 49's deposits was \$1,053,060 and the bank balance was \$1,142,494.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, Rock Island County Regional Office of Education No. 49's deposits may not be returned. Rock Island County Regional Office of Education No. 49 does not have a deposit policy for custodial credit risk. As of June 30, 2006, all of Rock Island County Regional Office of Education No. 49's deposits were either covered by FDIC insurance or covered by collateral held by the financial institution in Rock Island County Regional Office of Education No. 49's name.

A reconciliation of cash and cash equivalents as shown on the combined balance sheet for the primary government is as follows:

	<u>Carrying Amount</u>
Cash and cash equivalents - Governmental Activities	\$ 447,345
Cash and cash equivalents - Business-type Activities	563,091
Cash and cash equivalents - Agency	<u>42,624</u>
<b>Total</b>	<b><u>\$1,053,060</u></b>

**NOTE 2 - DUE FROM/TO OTHER GOVERNMENTS**

Amounts due from other governments as of June 30, 2006 are as follows:

	<u>Due From</u>	<u>Due To</u>
Education Fund		
Mathematics and Science Partnership		
Due from US Dept of Education	\$ 28,000	\$ -
Title IV - 21 <sup>st</sup> Century RIHS UTHS		
Due from ISBE	26,000	-
Title IV - 21 <sup>st</sup> Century Community Learning Centers		
Due to ISBE	-	42,732
Title IV - 21 <sup>st</sup> Century Edison		
Due to ISBE	-	18,707
Agency Fund		
Distributive		
Due to various local governmental agencies	<u>-</u>	<u>26,038</u>
<b>Total</b>	<b><u>\$ 54,000</u></b>	<b><u>\$ 87,477</u></b>

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 3 - CAPITAL ASSETS**

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

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Governmental activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ 250,082	\$ 14,292	\$ -	\$ 264,374
Accumulated depreciation	<u>(156,107)</u>	<u>(35,525)</u>	<u>-</u>	<u>(191,632)</u>
Governmental activities capital assets, net	<u>\$ 93,975</u>	<u>\$ (21,233)</u>	<u>\$ -</u>	<u>\$ 72,742</u>
Business-type activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ 79,888	\$ 14,043	\$ -	\$ 93,931
Accumulated depreciation	<u>(35,531)</u>	<u>(23,124)</u>	<u>-</u>	<u>(58,655)</u>
Business-type activities capital assets, net	<u>\$ 44,357</u>	<u>\$ (9,081)</u>	<u>\$ -</u>	<u>\$ 35,276</u>
Depreciation expense was charged as follows:				
Governmental activities:				
Instruction:				
Depreciation expense				<u>\$ 35,525</u>
Business-type activities:				
Other:				
Depreciation expense				<u>\$ 23,124</u>

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 4 - EMPLOYEE BENEFIT PLAN**

Rock Island County Regional Office of Education No. 49's employees are covered under the Illinois Municipal Retirement Fund. Contributions to the Fund are made by Rock Island County and the Rock Island County Regional Office of Education No. 49 through grant monies on behalf of the Rock Island County Regional Office of Education No. 49 staff employees and grant coordinators.

Rock Island County is a participating member of the Illinois Municipal Retirement Fund whose coverage includes all Rock Island County Regional Office of Education No. 49 employees who:

- a. Occupy a job normally requiring 1,000 hours or more per year;
- b. Are paid on a regular payroll from Rock Island County or Rock Island County Regional Office of Education No. 49 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 "nonparticipating employees" and are covered under Social Security.

The Regional Superintendent and Assistant Regional Superintendent of Rock Island County Regional Office of Education No. 49 are paid by the State of Illinois. Certain staff employees of Rock Island County Regional Office of Education No. 49's office are employed and paid by Rock Island County (other support staff and grant coordinators are paid by Rock Island County Regional Office of Education No. 49 through grant monies). Rock Island County Regional Office of Education No. 49 has no separate employee benefit plan.

Illinois Municipal Retirement Fund

Rock Island County Regional Office of Education No. 49'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 supplemental information. The report may be obtained at [www.imrf.org/pubs/pubs\\_homepage.htm](http://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. Rock Island County Regional Office of Education No. 49 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2005 was 6.76% percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2005 was 1 year.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 4 - EMPLOYEE BENEFIT PLAN (CONTINUED)**

For December 31, 2005, Rock Island County Regional Office of Education No. 49's annual pension cost of \$30,938 was equal to Rock Island County Regional Office of Education No. 49's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2005 actuarial valuation were based on the 2002-2004 experience study.

**TREND INFORMATION**

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/05	\$ 30,938	100%	\$ -
12/31/04	21,482	100%	-
12/31/03	26,787	100%	-
12/31/02	28,232	100%	-
12/31/01	35,356	100%	-
12/31/00	35,664	100%	-
12/31/99	31,253	100%	-
12/31/98	26,481	100%	-
12/31/97	20,173	100%	-
12/31/96	14,314	100%	-

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 5 - RETIREMENT PLANS**

Teachers' Retirement System of the State of Illinois

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

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2006, was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The Regional Office of Education No. 49 THIS Fund contribution was 0.6 percent during the year ended June 30, 2006, and the member THIS Fund health insurance contribution was 0.80 percent.

The State of Illinois makes contributions directly to TRS on behalf of the Regional Office of Education No. 49's TRS-covered employees.

- **On-behalf Contributions.** The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education No. 49. For the year ended June 30, 2006, the State of Illinois contributions were based on 7.06 percent of creditable earnings, and the Regional Office of Education No. 49 recognized revenue and expenditures of \$53,009 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2005, and June 30, 2004, the State of Illinois contribution rates as percentages of creditable earnings were 11.76 percent (\$42,964) and 13.98 percent (\$31,464), respectively.

Rock Island County Regional Office of Education No. 49 makes other types of employer contributions directly to TRS.

- **2.2 Formula Contributions.** Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. Contribution for the year ended June 30, 2006 was \$3,271. Contributions for the years ending June 30, 2005, and June 30, 2004, were \$2,769 and \$2,028, respectively.
- **Federal and Trust Fund Contributions.** When TRS members are paid from federal and trust funds administered by the Regional Office of Education No. 49, there is a statutory requirement for the Regional Office of Education No. 49 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions paid from federal and trust funds will be the same as the state contribution rate for TRS.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 5 - RETIREMENT PLANS (CONTINUED)**

For the year ended June 30, 2006, the employer pension contribution was 7.06 percent of salaries paid from federal and trust funds. For the two years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2006, there were \$6,024 in contributions. For the years ended June 30, 2005, and June 30, 2004, there were \$10,700 and \$9,626 in contributions, respectively.

- **Early Retirement Option.** The Regional Office of Education No. 49 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, 2006, June 30, 2005, and June 30, 2004, the Regional Office of Education No. 49 paid no employer contributions under the Early Retirement Option.

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

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 6 - INTEREST EARNINGS ON PUBLIC FUNDS**

Revenues are partially derived from interest on deposits of the various funds under the jurisdiction of Rock Island County Regional Office of Education No. 49. A substantial portion of these interest earnings have been earned on monies which are passed through from the Illinois State Board of Education to the various school districts within the County.

Illinois Compiled Statutes require that interest earned by a public agency on investments of funds held for, but owned by, another public agency shall be credited to the public agency for which the investment is made; i.e. the owner of the funds.

At June 30, 2006, undistributed interest earnings credited to other governments and organizations are as follows:

State and Federal Aid Distributive Fund	<u>\$ 26,038</u>
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Interest earnings credited to other governments and organizations are distributed in cash or in lieu of cash and are used to pay for inservice training pursuant to agreements signed by the other governments and organizations with the Regional Superintendent.

**NOTE 7 - ON-BEHALF PAYMENTS**

The salaries and fringe benefits of the Regional Superintendent and the Assistant Regional Superintendent are paid by the State of Illinois.

The breakdown of on-behalf payments for the year ended June 30, 2006 is as follows:

Regional Superintendent salary	\$ 88,540
Regional Superintendent benefits (Includes State paid insurance)	20,188
Assistant Regional Superintendent salary	73,347
Assistant Regional Superintendent benefits (Includes State paid insurance)	1,063
County On-behalf payments	32,991
TRS On-behalf payments	<u>53,009</u>
<b>Total</b>	<b><u>\$ 269,138</u></b>

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

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 8 - NEW PRONOUNCEMENT**

In 2006, Rock Island County Regional Office of Education No. 49 adopted Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section, an Amendment of NCGA Statement 1*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an Amendment of GASB Statement No. 34, and GASB Statement No. 47, *Accounting for Termination Benefits*. The Regional Office of Education implemented these standards during the current year, however; they do not have a significant impact on the financial statements.

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

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

**ROCK ISLAND REGIONAL OFFICE OF EDUCATION NO. 49**  
**SCHEDULE OF FUNDING PROGRESS - IMRF (Unaudited)**  
**June 30, 2006**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/05	\$ 342,617	\$ 366,348	\$ 23,731	93.52%	\$ 457,670	5.19%
12/31/04	366,414	361,861	(4,553)	101.26%	469,049	0.00%
12/31/03	318,320	291,509	(26,811)	109.20%	453,247	0.00%
12/31/02	272,565	231,582	(40,983)	117.70%	433,012	0.00%
12/31/01	248,273	207,793	(40,480)	119.48%	402,683	0.00%
12/31/00	194,121	163,369	(30,752)	118.82%	379,806	0.00%
12/31/99	145,113	147,431	2,318	98.43%	321,537	0.72%
12/31/98	95,928	112,228	16,300	85.48%	267,753	6.09%
12/31/97	58,622	75,248	16,626	77.91%	225,655	7.37%
12/31/96	29,276	42,126	12,850	69.50%	174,970	7.34%

On a market value basis, the actuarial value of assets as of December 31, 2005 is \$346,376. On a market basis, the funded ratio would be 94.55 percent.

**\*Digest of Changes**

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

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

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.

**OTHER SUPPLEMENTAL INFORMATION**

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND - ROE OPERATIONS  
 Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
State sources	\$ 130,028	\$ 130,028	\$ 130,028	\$ -
On-behalf payments	-	-	269,138	269,138
Total revenues	130,028	130,028	399,166	269,138
<b>EXPENDITURES:</b>				
Current:				
Education:				
Salaries	60,000	60,000	62,822	(2,822)
Benefits	10,000	10,000	6,036	3,964
Purchased services	49,497	47,277	50,950	(3,673)
Supplies and materials	9,531	11,751	9,156	2,595
Capital outlay	-	-	-	-
Other objects	1,000	1,000	1,064	(64)
Payments to other governments	-	-	-	-
On-behalf payments	-	-	269,138	(269,138)
Total expenditures	\$ 130,028	\$ 130,028	399,166	\$ (269,138)
<b>NET CHANGE IN FUND BALANCES</b>			-	
<b>FUND BALANCE, BEGINNING OF YEAR</b>			-	
<b>FUND BALANCE, END OF YEAR</b>			\$ -	

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**COMBINING SCHEDULE OF ACCOUNTS**  
**EDUCATION FUND**  
**June 30, 2006**

**SCHEDULE 2**

	<b>Mathematics and Science Partnership</b>	<b>Title IV 21st Century RIHS UTHS</b>	<b>Title IV 21st Century Community Learning Centers</b>	<b>Title IV 21st Century Edison</b>	<b>Step Ahead</b>	<b>Technology Program</b>
<b>ASSETS</b>						
Cash (overdrafts) and cash equivalents	\$ 68,964	\$ 78,245	\$ 98,276	\$ 56,056	\$ -	\$ -
Due from other governments	28,000	26,000	-	-	-	-
Total assets	\$ 96,964	\$ 104,245	\$ 98,276	\$ 56,056	\$ -	\$ -
<b>LIABILITIES AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 41,416	\$ 22,706	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	42,732	18,707	-	-
Deferred revenue	55,548	81,539	55,544	37,349	-	-
Total liabilities	96,964	104,245	98,276	56,056	-	-
<b>FUND BALANCE, UNRESERVED</b>	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND FUND BALANCE, UNRESERVED</b>	\$ 96,964	\$ 104,245	\$ 98,276	\$ 56,056	\$ -	\$ -

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**COMBINING SCHEDULE OF ACCOUNTS**  
**EDUCATION FUND**  
**June 30, 2006**

**SCHEDULE 2**  
**(CONTINUED)**

	<b>Regional Safe Schools Program</b>	<b>Truants' Alt. and Optional Education</b>	<b>Early Childhood Ages 0-3</b>	<b>Early Childhood Ages 3-5</b>	<b>Early Childhood Pre-K</b>
<b>ASSETS</b>					
Cash (overdrafts) and cash equivalents	\$ 113	\$ 311	\$ -	\$ 33	\$ 6
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 113</u>	<u>\$ 311</u>	<u>\$ -</u>	<u>\$ 33</u>	<u>\$ 6</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 113	\$ 311	\$ -	\$ 33	\$ 6
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	113	311	-	33	6
<b>FUND BALANCE, UNRESERVED</b>	-	-	-	-	-
<b>TOTAL LIABILITIES AND FUND BALANCE, UNRESERVED</b>	<u>\$ 113</u>	<u>\$ 311</u>	<u>\$ -</u>	<u>\$ 33</u>	<u>\$ 6</u>

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**COMBINING SCHEDULE OF ACCOUNTS**  
**EDUCATION FUND**  
**June 30, 2006**

**SCHEDULE 2**  
**(CONTINUED)**

	Title IV 21st Century Community Learning Centers Lights On	Technology Enhancing Education - Competitive	McKinney Education for Homeless Children	Total
<b>ASSETS</b>				
Cash (overdrafts) and cash equivalents	\$ -	\$ -	\$ 3,652	\$ 305,656
Due from other governments	-	-	-	54,000
	-	-	-	54,000
Total assets	\$ -	\$ -	\$ 3,652	\$ 359,656
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 3,652	\$ 68,237
Due to other governments	-	-	-	61,439
Deferred revenue	-	-	-	229,980
	-	-	-	229,980
Total liabilities	-	-	3,652	359,656
<b>FUND BALANCE, UNRESERVED</b>	-	-	-	-
<b>TOTAL LIABILITIES AND FUND BALANCE, UNRESERVED</b>	\$ -	\$ -	\$ 3,652	\$ 359,656

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**EDUCATION FUND ACCOUNTS**  
**Year Ended June 30, 2006**

**SCHEDULE 3**

	<b>Mathematics and Science Partnership</b>	<b>Title IV 21st Century RIHS UTHS</b>	<b>Title IV 21st Century Community Learning Centers</b>	<b>Title IV 21st Century Edison</b>	<b>Step Ahead</b>
<b>REVENUES:</b>					
State sources	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	282,197	233,261	281,956	117,551	162,723
Total revenues	282,197	233,261	281,956	117,551	162,723
<b>EXPENDITURES:</b>					
Current:					
Education:					
Salaries	61,934	33,916	49,993	13,526	76,366
Benefits	8,094	4,248	6,548	1,226	8,822
Purchased services	172,899	193,461	223,442	101,271	59,244
Supplies and materials	25,120	1,636	1,973	1,528	18,291
Capital outlay	14,150	-	-	-	-
Payments to other governments	-	-	-	-	-
Total expenditures	282,197	233,261	281,956	117,551	162,723
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	-	-	-	-
<b>FUND BALANCE, UNRESERVED, BEGINNING OF YEAR</b>	-	-	-	-	-
<b>FUND BALANCE, UNRESERVED, END OF YEAR</b>	\$ -	\$ -	\$ -	\$ -	\$ -

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**EDUCATION FUND ACCOUNTS**  
**Year Ended June 30, 2006**

**SCHEDULE 3**  
**(CONTINUED)**

	<b>Technology Program</b>	<b>Regional Safe Schools Program</b>	<b>Truants' Alt. and Optional Education</b>	<b>Early Childhood Ages 0-3</b>	<b>Early Childhood Ages 3-5</b>
<b>REVENUES:</b>					
State sources	\$ 94,138	\$ 374,934	\$ 8,300	\$ 52,285	\$ 584,003
Federal sources	-	-	-	-	-
Total revenues	94,138	374,934	8,300	52,285	584,003
<b>EXPENDITURES:</b>					
Current:					
Education:					
Salaries	38,907	44,404	-	36,960	233,492
Benefits	2,736	6,990	-	5,206	10,366
Purchased services	51,759	167,071	7,094	5,495	323,623
Supplies and materials	736	568	1,206	4,624	12,793
Capital outlay	-	-	-	-	3,729
Payments to other governments	-	155,901	-	-	-
Total expenditures	94,138	374,934	8,300	52,285	584,003
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	-	-	-	-
<b>FUND BALANCE, UNRESERVED, BEGINNING OF YEAR</b>	-	-	-	-	-
<b>FUND BALANCE, UNRESERVED, END OF YEAR</b>	\$ -	\$ -	\$ -	\$ -	\$ -

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**EDUCATION FUND ACCOUNTS**  
**Year Ended June 30, 2006**

**SCHEDULE 3**  
**(CONTINUED)**

	<u>Early Childhood Pre-K</u>	<u>Title IV 21st Century Community Learning Centers Lights On</u>	<u>Technology Enhancing Education - Competitive</u>	<u>McKinney Education for Homeless Children</u>	<u>Total</u>
<b>REVENUES:</b>					
State sources	\$ 492,323	\$ -	\$ -	\$ -	\$ 1,605,983
Federal sources	<u>-</u>	<u>75,288</u>	<u>20,780</u>	<u>51,500</u>	<u>1,225,256</u>
Total revenues	<u>492,323</u>	<u>75,288</u>	<u>20,780</u>	<u>51,500</u>	<u>2,831,239</u>
<b>EXPENDITURES:</b>					
Current:					
Education:					
Salaries	132,824	-	8,827	27,516	758,665
Benefits	10,306	-	1,099	4,200	69,841
Purchased services	334,665	2,020	10,489	12,719	1,665,252
Supplies and materials	13,724	-	365	7,065	89,629
Capital outlay	804	-	-	-	18,683
Payments to other governments	<u>-</u>	<u>73,268</u>	<u>-</u>	<u>-</u>	<u>229,169</u>
Total expenditures	<u>492,323</u>	<u>75,288</u>	<u>20,780</u>	<u>51,500</u>	<u>2,831,239</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	-	-	-	-
<b>FUND BALANCE, UNRESERVED, BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, UNRESERVED, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNTS  
 Year Ended June 30, 2006

SCHEDULE 4

	Mathematics and Science Partnership				Title IV - 21st Century - RIHS UTHS				Title IV - 21st Century Community Learning Centers			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final			Original	Final			Original	Final		
<b>REVENUES:</b>												
State sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	298,000	298,000	282,197	(15,803)	314,800	314,800	233,261	(81,539)	337,500	337,500	281,956	(55,544)
Total revenues	298,000	298,000	282,197	(15,803)	314,800	314,800	233,261	(81,539)	337,500	337,500	281,956	(55,544)
<b>EXPENDITURES:</b>												
Current:												
Education:												
Salaries	41,000	41,000	61,934	(20,934)	34,000	34,000	33,916	84	49,500	49,500	49,993	(493)
Benefits	5,350	5,350	8,094	(2,744)	5,800	5,800	4,248	1,552	7,000	7,000	6,548	452
Purchased services	192,080	192,080	172,899	19,181	274,000	274,000	193,461	80,539	279,000	279,000	223,442	55,558
Supplies and materials	39,570	39,570	25,120	14,450	1,000	1,000	1,636	(636)	2,000	2,000	1,973	27
Capital outlay	20,000	20,000	14,150	5,850	-	-	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	298,000	298,000	282,197	15,803	314,800	314,800	233,261	81,539	337,500	337,500	281,956	55,544
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>FUND BALANCE, UNRESERVED, BEGINNING OF YEAR</b>			<u>-</u>				<u>-</u>				<u>-</u>	
<b>FUND BALANCE, UNRESERVED, END OF YEAR</b>			<u>\$ -</u>				<u>\$ -</u>				<u>\$ -</u>	

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNTS  
 Year Ended June 30, 2006

SCHEDULE 4  
 (CONTINUED)

	Title IV - 21st Century - Edison			Technology Program			Regional Safe Schools Program *					
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts			
	Original	Final		Original	Final		Original	Final				
<b>REVENUES:</b>												
State sources	\$ -	\$ -	\$ -	\$ -	\$ 94,138	\$ 94,138	\$ 94,138	\$ -	\$ 212,793	\$ 219,033	\$ 374,934	\$ 155,901
Federal sources	154,900	154,900	117,551	(37,349)	-	-	-	-	-	-	-	-
Total revenues	154,900	154,900	117,551	(37,349)	94,138	94,138	94,138	-	212,793	219,033	374,934	155,901
<b>EXPENDITURES:</b>												
Current:												
Education:												
Salaries	14,000	14,000	13,526	474	38,152	38,152	38,907	(755)	38,732	44,972	44,404	568
Benefits	2,000	2,000	1,226	774	3,678	3,678	2,736	942	8,248	8,248	6,990	1,258
Purchased services	137,000	137,000	101,271	35,729	50,808	50,808	51,759	(951)	165,313	165,313	167,071	(1,758)
Supplies and materials	1,900	1,900	1,528	372	1,500	1,500	736	764	500	500	568	(68)
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-	-	-	-	-	155,901	(155,901)
Total expenditures	154,900	154,900	117,551	37,349	94,138	94,138	94,138	-	212,793	219,033	374,934	(155,901)
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>FUND BALANCE, UNRESERVED, BEGINNING OF YEAR</b>			<u>-</u>				<u>-</u>				<u>-</u>	
<b>FUND BALANCE, UNRESERVED, END OF YEAR</b>			<u>\$ -</u>				<u>\$ -</u>				<u>\$ -</u>	

\* Contains General State Aid Money not budgeted.

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNTS  
 Year Ended June 30, 2006

SCHEDULE 4  
 (CONTINUED)

	Truants' Alt. and Optional Education				Early Childhood Ages 0-3				Early Childhood Ages 3-5			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final			Original	Final			Original	Final		
<b>REVENUES:</b>												
State sources	\$ 8,300	\$ 8,300	\$ 8,300	\$ -	\$ 52,285	\$ 52,285	\$ 52,285	\$ -	\$ 584,003	\$ 584,003	\$ 584,003	\$ -
Federal sources	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	8,300	8,300	8,300	-	52,285	52,285	52,285	-	584,003	584,003	584,003	-
<b>EXPENDITURES:</b>												
Current:												
Education:												
Salaries	-	-	-	-	41,920	37,270	36,960	310	231,759	231,759	233,492	(1,733)
Benefits	-	-	-	-	4,300	4,300	5,206	(906)	12,475	12,475	10,366	2,109
Purchased services	7,700	7,700	7,094	606	5,365	6,015	5,495	520	324,198	324,198	323,623	575
Supplies and materials	600	600	1,206	(606)	700	4,700	4,624	76	12,771	12,771	12,793	(22)
Capital outlay	-	-	-	-	-	-	-	-	2,800	2,800	3,729	(929)
Payments to other governments	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	8,300	8,300	8,300	-	52,285	52,285	52,285	-	584,003	584,003	584,003	-
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>FUND BALANCE, UNRESERVED, BEGINNING OF YEAR</b>			-				-				-	
<b>FUND BALANCE, UNRESERVED, END OF YEAR</b>			<u>\$ -</u>				<u>\$ -</u>				<u>\$ -</u>	

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNTS  
 Year Ended June 30, 2006

SCHEDULE 4  
 (CONTINUED)

	Early Childhood Pre-K				McKinney Education for Homeless Children				Total			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final			Original	Final			Original	Final		
<b>REVENUES:</b>												
State sources	\$ 480,000	\$ 480,000	\$ 492,323	\$ 12,323	\$ -	\$ -	\$ -	\$ -	\$ 1,431,519	\$ 1,437,759	\$ 1,605,983	\$ 168,224
Federal sources	-	-	-	-	51,500	51,500	51,500	-	1,156,700	1,156,700	966,465	(190,235)
Total revenues	480,000	480,000	492,323	12,323	51,500	51,500	51,500	-	2,588,219	2,594,459	2,572,448	(22,011)
<b>EXPENDITURES:</b>												
Current:												
Education:												
Salaries	185,375	136,924	132,824	4,100	30,000	30,000	27,516	2,484	704,438	657,577	673,472	(15,895)
Benefits	8,450	9,450	10,306	(856)	3,800	3,800	4,200	(400)	61,101	62,101	59,920	2,181
Purchased services	281,200	322,026	334,665	(12,639)	10,350	10,350	12,719	(2,369)	1,727,014	1,768,490	1,593,499	174,991
Supplies and materials	4,975	7,700	13,724	(6,024)	7,350	7,350	7,065	285	72,866	79,591	70,973	8,618
Capital outlay	-	3,900	804	3,096	-	-	-	-	22,800	26,700	18,683	8,017
Payments to other governments	-	-	-	-	-	-	-	-	-	-	155,901	(155,901)
Total expenditures	480,000	480,000	492,323	(12,323)	51,500	51,500	51,500	-	2,588,219	2,594,459	2,572,448	22,011
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCE, UNRESERVED, BEGINNING OF YEAR</b>			<u>-</u>				<u>-</u>				<u>-</u>	
<b>FUND BALANCE, UNRESERVED, END OF YEAR</b>			<u>\$ -</u>				<u>\$ -</u>				<u>\$ -</u>	

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2006**

**SCHEDULE 5**

	<u>General Educational Development</u>	<u>School Bus Driver Training</u>	<u>Super- visory Expense</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,564	\$ 387	\$ 2	\$ 15,953
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
None	\$ -	\$ -	\$ -	\$ -
<b>FUND BALANCE, UNRESERVED</b>	<u>15,564</u>	<u>387</u>	<u>2</u>	<u>15,953</u>
<b>TOTAL LIABILITIES AND FUND BALANCE, UNRESERVED</b>	<u>\$ 15,564</u>	<u>\$ 387</u>	<u>\$ 2</u>	<u>\$ 15,953</u>

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Year Ended June 30, 2006**

**SCHEDULE 6**

	<b>General Educational Development</b>	<b>School Bus Driver Training</b>	<b>Super- visory Expense</b>	<b>Total</b>
<b>REVENUES:</b>				
Local sources				
Services	\$ 15,336	\$ 1,084	\$ -	\$ 16,420
Interest	14	3	-	17
Total local sources	15,350	1,087	-	16,437
State sources	-	600	1,000	1,600
Total revenues	15,350	1,687	1,000	18,037
<b>EXPENDITURES:</b>				
Current:				
Education:				
Purchased services	7,579	1,845	685	10,109
Supplies and materials	1,582	388	-	1,970
Other objects	-	-	367	367
Total expenditures	9,161	2,233	1,052	12,446
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	6,189	(546)	(52)	5,591
<b>FUND BALANCE, UNRESERVED, BEGINNING OF YEAR</b>	9,375	933	54	10,362
<b>FUND BALANCE, UNRESERVED, END OF YEAR</b>	\$ 15,564	\$ 387	\$ 2	\$ 15,953

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 AGENCY FUNDS  
 June 30, 2006**

	<b>Distributive</b>	<b>Cafeteria Plan</b>	<b>Wishes Program</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 32,173	\$ 10,451	\$ -	\$ 42,624
<b>LIABILITIES</b>				
Due to others	\$ -	\$ 10,451	\$ -	\$ 10,451
Due to other governments and agencies	32,173	-	-	32,173
Total liabilities	\$ 32,173	\$ 10,451	\$ -	\$ 42,624

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**COMBINING STATEMENT OF CHANGES IN ASSETS**  
**AND LIABILITIES - AGENCY FUNDS**  
**Year Ended June 30, 2006**

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2006</u>
<b>DISTRIBUTIVE</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 24,520	\$ 2,694,851	\$ 2,687,198	\$ 32,173
<b>LIABILITIES</b>				
Due to other governments and agencies	\$ 24,520	\$ 2,694,851	\$ 2,687,198	\$ 32,173
<b>CAFETERIA PLAN</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,358	\$ 63,061	\$ 65,968	\$ 10,451
<b>LIABILITIES</b>				
Due to others	\$ 13,358	\$ 63,061	\$ 65,968	\$ 10,451
<b>WISHES PROGRAM</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 281,314	\$ 281,314	\$ -
<b>LIABILITIES</b>				
Due to other governments and agencies	\$ -	\$ 281,314	\$ 281,314	\$ -
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 37,878	\$ 3,039,226	\$ 3,034,480	\$ 42,624
<b>LIABILITIES</b>				
Due to others	\$ 13,358	\$ 63,061	\$ 65,968	\$ 10,451
Due to other governments and agencies	24,520	2,976,165	2,968,512	32,173
<b>TOTAL LIABILITIES</b>	<u>\$ 37,878</u>	<u>\$ 3,039,226</u>	<u>\$ 3,034,480</u>	<u>\$ 42,624</u>

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49**  
**SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT**  
**TREASURERS AND OTHER ENTITIES**  
**DISTRIBUTIVE FUND**  
**Year Ended June 30, 2006**

	<u>Regional Office of Education</u>
General State Aid	\$ 155,901
Bus Training	600
Truants Alternative	8,300
Regional Safe Schools	219,033
State Preschool At Risk	1,168,291
ROE Operations	130,028
Supervisory Expense	1,000
Learning Technology Center	94,138
21st Century Community Learning Center	689,907
Mathematics and Science Partnerships	<u>220,000</u>
	<u><u>\$ 2,687,198</u></u>

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2006**

<b>Federal Grantor/Pass- Through Grantor, Program Title &amp; Major Program Designation</b>	<b>CFDA Number</b>	<b>Project Number (1st 8 digits) or Contract #</b>	<b>Expenditures 7/1/05- 6/30/2006</b>
U.S. Dept. of Education (M) Title IV - 21st Century Community Learning Centers (Lights On)	84.287	S287A010746	\$ 75,288
U.S. Dept. of Education passed through Illinois State Board of Education:			
(M) Title IV - 21st Century Community Learning Centers	84.287	05-4421-00	6,564
(M) Title IV - 21st Century Community Learning Centers	84.287	06-4421-00	275,392
(M) Title IV - 21st Century Community Learning Centers (Edison)	84.287	06-4421-05	117,551
(M) Title IV - 21st Century Community Learning Centers (RIHS UTHS)	84.287	05-4421-04	22,264
	84.287	06-4421-04	210,997
			<u>708,056</u>
(M) Mathematics and Science Partnership	84.366	05-4936-00	39,745
(M) Mathematics and Science Partnership	84.366	06-4936-00	242,452
			<u>282,197</u>
Technology Enhancing Education - Competitive	84.318	05-4972-00	20,780
U.S. Dept. of Education passed through Lee/Ogle ROE: Stewart B. McKinney Education for Homeless Children and Youth Program	84.196A	06-4920-00	51,500
U.S. Dept. of Justice Step Ahead	16.710		<u>162,723</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 1,225,256</u></u>

(M) Program was audited as a major program

The accompanying notes are an integral part of this schedule.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49  
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2006**

**NOTE 1 - REPORTING ENTITY BASIS OF PRESENTATION AND ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Rock Island County Regional Office of Education No. 49 and is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**NOTE 2 - SUBRECIPIENTS**

Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, Rock Island County Regional Office of Education No. 49 provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA#</u>	<u>Amount Provided To Subrecipients</u>
Title IV - 21st Century Community Learning Centers (Lights On)	84.287	\$ <u>73,268</u>

**NOTE 3 - DESCRIPTION OF MAJOR FEDERAL PROGRAMS**

Mathematics and Science Partnership - to account for grant monies received for, and payment of, the NIMS (Northwestern Illinois Math and Science) program.

Title IV - 21st Century Community Learning Centers (RIHS UTHS) - to account for grant monies received for, and payment of, the 21st Century program at Rock Island High School and United Township High School.

Title IV - 21st Century Community Learning Centers - to account for grant monies received for, and payment of, the 21st Century program.

Title IV - 21st Century Community Learning Centers (Edison) - to account for grant monies received for, and payment of, the 21<sup>st</sup> Century program at Edison Junior High School.

Title IV - 21st Century Community Learning Centers (Lights On) - to account for the grant monies received for, and payment of, expenses to provide extended day programming at Community Learning Centers.

**NOTE 4 - NON-CASH ASSISTANCE**

N/A

**NOTE 5 - AMOUNT OF INSURANCE**

N/A

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2006**

**NOTE 6 - LOANS OR LOAN GUARANTEES OUTSTANDING**

N/A

This information is an integral part of the accompanying schedule.