



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, 2007

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. Vermeire

Assistant Regional Superintendent
(current and during the audit period)

Mr. James Widdop, Jr.

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 during this audit was conducted in accordance with Government Auditing Standards and in accordance with the Illinois State Auditing Act.

AUDITOR'S REPORTS

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

SUMMARY OF AUDIT FINDINGS

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

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

Item No. Page Description

FINDINGS (GOVERNMENT AUDITING STANDARDS)

07-1	12-13	Controls Over Financial Statement Preparation
07-2	14-16	Employee Travel and Use of ROE Credit Cards
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07-4	19-20	Meal Purchases

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

07-5	21-22	Inadequate Internal Control Over Disbursements
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PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

06-1	30	Controls Over Compliance with Laws and Regulations
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ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49

COMPLIANCE REPORT SUMMARY

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on August 11, 2008. 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 August 18, 2008.

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 AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rock Island County Regional Office of Education No. 49, as of and for the year ended June 30, 2007, 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 2, 2008 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 31 through 44 and page 73 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 Gunderson LLP

Clinton, Iowa
October 2, 2008

**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, 2007, which collectively comprise the Rock Island County Regional Office of Education No. 49's basic financial statements and have issued our report thereon dated October 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rock Island County Regional Office of Education No. 49's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Rock Island County Regional Office of Education No. 49's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rock Island County Regional Office of Education No. 49's internal control over financial reporting.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting, 07-1, 07-2, 07-3, and 07-4.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, of the significant deficiencies described above, we consider item 07-2 to be a material weakness.

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*.

Rock Island County Regional Office of Education No. 49's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Rock Island County Regional Office of Education No. 49's responses and, accordingly, we express no opinion on them.

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

Clifton Henderson LLP

Clinton, Iowa
October 2, 2008

**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, 2007. 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, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 07-5.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Rock Island County Regional Office of Education No. 49's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-5 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item 07-5 to be a material weakness.

Rock Island County Regional Office of Education No. 49's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Rock Island County Regional Office of Education No. 49's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, others within the organization, 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
October 2, 2008

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

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? x yes no
- Significant deficiencies identified that are not
 considered to be material weaknesses? x yes none reported
- Noncompliance material to
 financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? x yes no
- Significant deficiencies identified that are not
 considered to be material weaknesses? yes x none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.287</u>	<u>Title IV - 21st Century Community Learning Centers (RIHS UTHS)</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>

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, 2007

Section II: Financial Statement Findings:

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

Criteria/Specific Requirement:

The Regional Office of Education No. 49 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

Condition:

The Regional Office of Education No. 49 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements sufficient for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

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

Effect:

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

Cause:

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

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Section II: Financial Statement Findings:

FINDING NO. 07-1 - Inadequate Control Over Financial Statement Preparation (Continued)

Recommendation:

As part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education No. 49 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

Management's Response:

The Rock Island County Regional Office of Education shall implement the following actions to remedy this finding:

1. Hire a new bookkeeper with vast experience in all aspects of financial matters.
2. Ensure staff with financial oversight is adequately trained to use the full range of current financial technology.
3. Institute and integrate regularly scheduled review of financial statements and policy.
4. Bookkeepers shall attend trainings by the IARSS, Rockhurst University CEC, and others to remain current with financial knowledge.
5. Subscribe to the Illinois Personnel Advisor and other financial offerings.
6. Review possibility of contracting professional financial audit preparation services.

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Section II: Financial Statement Findings:

FINDING NO. 07-2 - Employee Travel and Use of ROE Credit Cards

Criteria/Specific Requirement:

Internal controls should ensure that expenses incurred by the Regional Office are adequately documented, incurred for a business purpose, and represent economical and effective use of Regional Office resources. When multiple Regional Office staff must travel to the same destination, travel should be coordinated to minimize costs.

Condition:

The Regional Office of Education No. 49 has ten credit cards that staff use for travel and to procure items for ROE programs. During fiscal year 2007, over \$75,000 in charges were incurred on these Regional Office credit cards. Most of the expenses incurred were travel-related.

During our testing of Regional Office credit card expenditures and employee travel documents, we found the following exceptions:

- **Lack of coordination of out-of-State travel.** Four Regional Office employees attended the annual AESA conference in Palm Desert, California in November 2006. The employees flew into 3 different airports (Phoenix, San Diego, and Palm Springs) and 3 employees each rented a vehicle (with rental charges of \$167, \$260, and \$702). One official also incurred a hotel charge of \$105 in Phoenix. Regional Office policies require that travel arrangements be made through the designated travel agency. However, the decision was made that everyone would secure their own travel arrangements.
- **Lack of documentation on meal purchases.** Receipts from restaurants often lacked detail to be able to determine what was purchased, the purpose of the meal, or for whom the meals were purchased. Subsequent to our inquiry, in most instances ROE officials were able to prepare a list of individuals attending the meals. However, without documenting the individuals for whom the meal expenses were incurred, either on the meal receipt or on the purchase voucher, prior to the time the credit card payment is being made, the officials approving the meal expense payment cannot determine: 1) whether all the meals were of a business purpose; and 2) whether the meal charges were reasonable. For example:

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Section II: Financial Statement Findings:

FINDING NO. 07-2 - Employee Travel and Use of ROE Credit Cards (CONTINUED)

- Four Regional Office staff and their spouses/guests attended the AESA annual conference in Palm Desert, California. Of the ten restaurant charges on hotel bills, seven charges (ranging from \$40.37 to \$162.91) had no detail for who the meals were purchased. The entire meal expense was charged to, and paid by, the Regional Office. For the remaining three charges, the traveler noted on the bill what portion of the meal expense were incurred by their guest and subsequently reimbursed the Regional Office for those costs.
- On the same trip, there was a \$368 charge at a Palm Desert, California restaurant. There was no indication whether this meal expense was only for ROE officials attending the conference or whether it also included guests. ROE officials noted that typically a spouse's meal is billed separately and paid for separately using personal means (check, credit card, or cash).
- **Lack of receipts.** For three of the expenses tested, there were no receipts provided.
- **Use of credit cards for personal expenses.** Regional Office officials used ROE credit cards for personal expenses. In most instances, the personal charges were reimbursed by the employee by writing a personal check to the Regional Office or to the credit card company. In some cases where personal checks were submitted, the ROE did not maintain copies of the personal check or a listing of what items on the credit card the check covered.

We identified some non-business expenses incurred by employees which do not appear to have been reimbursed. As part of the registration for the AESA conference, attendees could pay an extra \$30 for a ticket to an evening show. Registration documentation provided by the Regional Office showed a total of 7 tickets were purchased: 3 for Regional Office employees and 4 for their guests. In total, the ROE incurred \$210 for these tickets which was not reimbursed by the employees.

As discussed above, there were also restaurant charges on the hotel bills from the AESA conference ranging from \$40.37 to \$162.91 per charge for which we were unable to determine whether non-ROE staff meal costs were included in those restaurant charges.

The reimbursement practices differed among the ROE officials on this trip. One of the employees reimbursed the Regional Office for his guest's meals on the credit card, as well as the cost of the guest's airplane ticket and one-half of the car rental expense and airport parking expense. The other three officials' only reimbursement was for the airline tickets purchased on the ROE credit card for their spouses/guests. The Regional Office also reimburses employees' actual travel expenses, rather than using a per diem reimbursement method. The policy handbook does not set any maximum for expenses; rather, it notes that the traveler is expected to keep expenses "within reasonable limits."

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Financial Statement Findings:

FINDING NO. 07-2 - Employee Travel and Use of ROE Credit Cards (CONTINUED)

Effect:

Lack of adequate controls increases the susceptibility of Regional Office funds for questionable activities or abuse.

Cause:

Inadequate controls over the reporting and review of travel expenses and credit card purchases.

Recommendation:

The Regional Office should establish a policy which requires that each receipt for a meal expenditure submitted for reconciliation to the credit card statements should include documentation showing the purpose of the expenditure, to which program it applies, and for whom the meal was purchased. Additionally, the Regional Office should establish a policy that is more specific with regards to amounts reimbursed to employees when traveling. The Regional Office should strengthen internal controls over the reimbursement of travel expenses and employees should repay the Regional Office for any personal travel expenses paid. Furthermore, the Regional Office should adopt a policy which prohibits the use of Regional Office credit cards for personal expense. Finally, the Regional Office should ensure that travel is coordinated among employees.

Management's Response:

The Rock Island County Regional Office of Education shall implement the following actions to remedy this finding:

1. The Rock Island County Regional Office of Education shall establish a policy to ensure that each meal expenditure receipt is documented to individual, program, and purpose of expenditure.
2. The Rock Island County Regional Office of Education shall establish a policy for a per diem meal reimbursement when traveling on ROE business.
3. The Rock Island County Regional Office of Education shall strengthen internal controls over the reimbursement of travel expenses with multiple reviews of expenditures.
4. The Rock Island County Regional Office of Education employee expenditures questioned above shall be repaid by the employee.
5. The Rock Island County Regional Office of Education shall establish a policy prohibiting the use of Regional Office credit cards for personal expense.
6. The Rock Island County Regional Office of Education shall establish a policy that ensures that employees coordinate travel to same events.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Financial Statement Findings:

FINDING NO. 07-3 - Payment of Finance Charges and Sales Taxes

Criteria/Specific Requirement:

Internal controls should exist to ensure that bills are paid in a timely fashion. In addition, controls should be in place to ensure that sales taxes are not paid by the Regional Office.

Condition:

The Regional Office paid \$255 in finance charges and over limit fees on its credit cards in fiscal year 2007. On five of the twelve monthly statements reviewed, the Regional Office did not make a payment on the Regional Superintendent's credit card bill, and those charges carried over to the next month.

In addition, in our review of credit card purchases, we noted three purchases where the Regional Office paid sales tax, totaling \$79.

Effect:

Payment of finance charges and sales taxes results in an ineffective use of Regional Office financial resources.

Cause:

Regional Office staff indicated that credit card bills were not paid timely because staff were late in submitting receipts to support the charges on the credit cards. Regarding the payment of sales taxes, it was an oversight on the part of staff.

Recommendation:

The Regional Office should strengthen its internal controls to ensure that credit card bills are paid in a timely manner and that sales taxes are not incurred on goods purchased by the Regional Office.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Financial Statement Findings:

FINDING NO. 07-3 - Payment of Finance Charges and Sales Taxes (CONTINUED)

Management's Response:

The Rock Island County Regional Office of Education shall implement the following actions to remedy this finding:

1. The Rock Island County Regional Office of Education shall develop with credit card carrier a single monthly billing to ensure that payment may be made timely and without penalty on all credit cards.
2. The Rock Island County Regional Office of Education shall review past purchases with sales tax charge to ensure that documentation can be established to ensure that sales taxes are not incurred on goods purchased by the Regional Office.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section II: Financial Statement Findings:

FINDING NO. 07-4 - Meal Purchases

Criteria/Specific Requirement:

Policies should delineate the instances or occasions where ROE funds can be used to pay for employee meals in the headquartered city (i.e., when employees are not on travel status).

Condition:

There were several expenditures where meals were purchased for ROE staff in the Rock Island area (i.e., the employees were not on travel status). These meals included:

- \$622 for meals for Early Childhood staff and team members/collaborative partners on 8 occasions at local restaurants. ROE officials noted the purpose of the meals is to introduce new team members with current staff, review expectations for the new staff and job responsibilities, and share ideas. The meetings are utilized as a form of staff development to enhance program quality.
- \$1,527 at a restaurant on December 16, 2006. ROE officials stated it was an end-of-year goal setting staff function, which reviewed the year's accomplishments and looked at opportunities and needs assessment.
- \$166.70 for a secretary's day luncheon at a local restaurant.

Effect:

Use of ROE funds to pay for meals of staff may not be the most effective use of ROE funds.

Cause:

The ROE currently does not have a policy for the payment of meals for ROE staff when they are not on travel status.

Recommendation:

The Regional Office should establish policies which delineate instances where it is appropriate to use ROE funds to pay for meal expenses of ROE staff when they are not on travel status. Such policies should detail the benefits that are obtained from the use of funds in this manner.

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Section II: Financial Statement Findings:

FINDING NO. 07-4 - Meal Purchases (CONTINUED)

Management's Response:

The Rock Island County Regional Office of Education shall implement the following actions to remedy this finding:

1. The Rock Island County Regional Office of Education shall develop a policy delineating and documenting meal reimbursement use while not on travel status.
2. The Rock Island County Regional Office of Education shall detail the benefits of said previous policy within the policy and documentation of said expenditure.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section III: Findings and Questioned Costs for Federal Awards:

FINDING NO. 07-5 – Inadequate Internal Control Over Disbursements

Federal Program Name & Year: (a) Title IV – 21st Century Community Learning Centers,
(b) Title IV – 21st Century Community Learning Centers (Edison), (c) Title IV – 21st
Century Community Learning Centers (RIHS UTHS)

Project Numbers: (a) 07-4421-00 (b) 07-4421-05 (c) 06-4421-04, 07-4421-04

CFDA Number: 84.287

Passed Through: Illinois State Board of Education

Federal Agency: U.S. Department of Education

Criteria/Specific Requirement:

The Regional Office of Education is responsible for establishing and maintaining an internal control system over disbursements and reimbursements to prevent errors and fraud.

Condition:

In 5 out of 25 items tested, the Regional Office of Education reimbursed expenditures to various school districts without obtaining and reviewing supporting documentation (invoices, billings, etc.) for disbursements relating to the Title IV program.

Questioned Costs:

N/A

Context:

N/A

Effect:

Without obtaining and reviewing supporting documentation for expenditures, unallowable, duplicate payments, or incorrect amounts may be paid.

Cause:

The Regional Office of Education did not obtain adequate documentation to justify that expenditures were allowable.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

Section III: Findings and Questioned Costs for Federal Awards:

FINDING NO. 07-5 – Inadequate Internal Control Over Disbursements (CONTINUED)

Recommendation:

The Regional Office should ensure that there is proper review of the original invoices and other supporting documentation to prevent unallowable, duplicate payments, or incorrect amounts from being paid.

Management's Response:

The Rock Island County Regional Office of Education shall implement the following actions to remedy this finding:

1. The Rock Island County Regional Office of Education shall require adequate documentation for all payments from the ROE to other entities.
2. The Rock Island County Regional Office of Education shall review said documentation.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
June 30, 2007**

FINDING NO. 07-1 - Inadequate Control Over Financial Statement Preparation

Condition:

The Regional Office of Education No. 49 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements sufficient for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

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

Plan:

The Rock Island County Regional Office of Education shall implement the following actions to remedy this finding:

1. Hire a new bookkeeper with vast experience in all aspects of financial matters.
2. Ensure staff with financial oversight is adequately trained to use the full range of current financial technology.
3. Institute and integrate regularly scheduled review of financial statements and policy.
4. Bookkeepers shall attend trainings by the IARSS, Rockhurst University CEC, and others to remain current with financial knowledge.
5. Subscribe to the Illinois Personnel Advisor and other financial offerings.
6. Review possibility of contracting professional financial audit preparation services.

Anticipated Completion Date:

Immediately

Contact Person Responsible for Corrective Action:

Mr. Joseph A. Vermeire, Regional Superintendent

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
June 30, 2007**

FINDING NO. 07-2 - Employee Travel and Use of ROE Credit Cards

Condition:

The Regional Office of Education No. 49 has ten credit cards that staff use for travel and to procure items for ROE programs. During fiscal year 2007, over \$75,000 in charges were incurred on these Regional Office credit cards. Most of the expenses incurred were travel-related.

During our testing of Regional Office credit card expenditures and employee travel documents, we found the following exceptions:

- **Lack of coordination of out-of-State travel.** Four Regional Office employees attended the annual AESA conference in Palm Desert, California in November 2006. The employees flew into 3 different airports (Phoenix, San Diego, and Palm Springs) and 3 employees each rented a vehicle (with rental charges of \$167, \$260, and \$702). One official also incurred a hotel charge of \$105 in Phoenix. Regional Office policies require that travel arrangements be made through the designated travel agency. However, the decision was made that everyone would secure their own travel arrangements.
- **Lack of documentation on meal purchases.** Receipts from restaurants often lacked detail to be able to determine what was purchased, the purpose of the meal, or for whom the meals were purchased. Subsequent to our inquiry, in most instances ROE officials were able to prepare a list of individuals attending the meals. However, without documenting the individuals for whom the meal expenses were incurred, either on the meal receipt or on the purchase voucher, prior to the time the credit card payment is being made, the officials approving the meal expense payment cannot determine: 1) whether all the meals were of a business purpose; and 2) whether the meal charges were reasonable. For example:
 - Four Regional Office staff and their spouses/guests attended the AESA annual conference in Palm Desert, California. Of the ten restaurant charges on hotel bills, seven charges (ranging from \$40.37 to \$162.91) had no detail for who the meals were purchased. The entire meal expense was charged to, and paid by, the Regional Office. For the remaining three charges, the traveler noted on the bill what portion of the meal expense were incurred by their guest and subsequently reimbursed the Regional Office for those costs.
 - On the same trip, there was a \$368 charge at a Palm Desert, California restaurant. There was no indication whether this meal expense was only for ROE officials attending the conference or whether it also included guests. ROE officials noted that typically a spouse's meal is billed separately and paid for separately using personal means (check, credit card, or cash).

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2007**

FINDING NO. 07-2 - Employee Travel and Use of ROE Credit Cards (CONTINUED)

- **Lack of receipts.** For three of the expenses tested, there were no receipts provided.
- **Use of credit cards for personal expenses.** Regional Office officials used ROE credit cards for personal expenses. In most instances, the personal charges were reimbursed by the employee by writing a personal check to the Regional Office or to the credit card company. In some cases where personal checks were submitted, the ROE did not maintain copies of the personal check or a listing of what items on the credit card the check covered.

We identified some non-business expenses incurred by employees which do not appear to have been reimbursed. As part of the registration for the AESA conference, attendees could pay an extra \$30 for a ticket to an evening show. Registration documentation provided by the Regional Office showed a total of 7 tickets were purchased: 3 for Regional Office employees and 4 for their guests. In total, the ROE incurred \$210 for these tickets which was not reimbursed by the employees.

As discussed above, there were also restaurant charges on the hotel bills from the AESA conference ranging from \$40.37 to \$162.91 per charge for which we were unable to determine whether non-ROE staff meal costs were included in those restaurant charges.

The reimbursement practices differed among the ROE officials on this trip. One of the employees reimbursed the Regional Office for his guest's meals on the credit card, as well as the cost of the guest's airplane ticket and one-half of the car rental expense and airport parking expense. The other three officials' only reimbursement was for the airline tickets purchased on the ROE credit card for their spouses/guests. The Regional Office also reimburses employees' actual travel expenses, rather than using a per diem reimbursement method. The policy handbook does not set any maximum for expenses; rather, it notes that the traveler is expected to keep expenses "within reasonable limits."

Plan:

The Rock Island County Regional Office of Education shall implement the following actions to remedy this finding:

1. The Rock Island County Regional Office of Education shall establish a policy to ensure that each meal expenditure receipt is documented to individual, program, and purpose of expenditure.
2. The Rock Island County Regional Office of Education shall establish a policy for a per diem meal reimbursement when traveling on ROE business.
3. The Rock Island County Regional Office of Education shall strengthen internal controls over the reimbursement of travel expenses with multiple reviews of expenditures.
4. The Rock Island County Regional Office of Education employee expenditures questioned above shall be repaid by the employee.
5. The Rock Island County Regional Office of Education shall establish a policy prohibiting the use of Regional Office credit cards for personal expense.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2007**

FINDING NO. 07-2 - Employee Travel and Use of ROE Credit Cards (CONTINUED)

6. The Rock Island County Regional Office of Education shall establish a policy that ensures that employees coordinate travel to same events.

Anticipated Completion Date:

Immediately

Contact Person Responsible for Corrective Action:

Mr. Joseph A. Vermeire, Regional Superintendent

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
June 30, 2007**

FINDING NO. 07-3 - Payment of Finance Charges and Sales Taxes

Condition:

The Regional Office paid \$255 in finance charges and over limit fees on its credit cards in fiscal year 2007. On five of the twelve monthly statements reviewed, the Regional Office did not make a payment on the Regional Superintendent's credit card bill, and those charges carried over to the next month.

In addition, in our review of credit card purchases, we noted three purchases where the Regional Office paid sales tax, totaling \$79.

Plan:

The Rock Island County Regional Office of Education shall implement the following actions to remedy this finding:

1. The Rock Island County Regional Office of Education shall develop with credit card carrier a single monthly billing to ensure that payment may be made timely and without penalty on all credit cards.
2. The Rock Island County Regional Office of Education shall review past purchases with sales tax charge to ensure that documentation can be established to ensure that sales taxes are not incurred on goods purchased by the Regional Office.

Anticipated Completion Date:

Immediately

Contact Person Responsible for Corrective Action:

Mr. Joseph A. Vermeire, Regional Superintendent

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
June 30, 2007**

FINDING NO. 07-4 - Meal Purchases

Condition:

There were several expenditures where meals were purchased for ROE staff in the Rock Island area (i.e., the employees were not on travel status). These meals included:

- \$622 for meals for Early Childhood staff and team members/collaborative partners on 8 occasions at local restaurants. ROE officials noted the purpose of the meals is to introduce new team members with current staff, review expectations for the new staff and job responsibilities, and share ideas. The meetings are utilized as a form of staff development to enhance program quality.
- \$1,527 at a restaurant on December 16, 2006. ROE officials stated it was an end-of-year goal setting staff function, which reviewed the year's accomplishments and looked at opportunities and needs assessment.
- \$166.70 for a secretary's day luncheon at a local restaurant.

Plan:

The Rock Island County Regional Office of Education shall implement the following actions to remedy this finding:

1. The Rock Island County Regional Office of Education shall develop a policy delineating and documenting meal reimbursement use while not on travel status.
2. The Rock Island County Regional Office of Education shall detail the benefits of said previous policy within the policy and documentation of said expenditure.

Anticipated Completion Date:

Immediately

Contact Person Responsible for Corrective Action:

Mr. Joseph A. Vermeire, Regional Superintendent

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
June 30, 2007**

FINDING NO. 07-5 - Inadequate Internal Control Over Disbursements

Condition:

In 5 out of 25 items tested, the Regional Office of Education reimbursed expenditures to various school districts without obtaining and reviewing supporting documentation (invoices, billings, etc.) for disbursements relating to the Title IV program.

Plan:

The Rock Island County Regional Office of Education shall implement the following actions to remedy this finding:

1. The Rock Island County Regional Office of Education shall require adequate documentation for all payments from the ROE to other entities.
2. The Rock Island County Regional Office of Education shall review said documentation.

Anticipated Completion Date:

Immediately

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, 2007

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
06-1	A. Public Act 95-496 repealed the requirements of 105 ILCS 5/3-14.11.	Resolved
06-1	B. Public Act 95-496 repealed the requirements of 105 ILCS 5/3-14.5.	Resolved

MANAGEMENT'S DISCUSSION AND ANALYSIS

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

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, 2007. We encourage readers to consider this information in conjunction with Rock Island County Regional Office of Education No. 49's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$399,166 in fiscal year 2006 to \$464,169 in fiscal year 2007. The reason for the change is attributable to an increase in on-behalf payments. General Fund expenditures also increased from \$399,166 in fiscal year 2006 to \$464,169 in fiscal year 2007. Again, the change is mainly due to an increase 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 increased this year by 18%.
- Institute Fund revenues increased from \$39,996 in fiscal year 2006 to \$47,661 in fiscal year 2007. The increase was primarily due to increased certificate registrations. Registrations can be affected by district new hiring and five-year cyclic registration trends. Expenses in the Institute Fund increased from \$22,994 in fiscal year 2006 to \$34,192 in fiscal year 2007. This increase was primarily due to increased workshop activity offerings for certified teachers and administrators.
- Education Fund revenues increased from \$2,831,239 in fiscal year 2006 to \$3,282,329 in fiscal year 2007. Expenses also increased from \$2,831,239 in fiscal year 2006 to \$3,282,329 in fiscal year 2007. The increase in revenues and expenses in the Education Fund is due to additional ISBE Early Childhood and Smaller Learning Community grants and initiatives.
- Enterprise Workshop Fund revenues increased from \$834,520 in fiscal year 2006 to \$921,903 in fiscal year 2007. This increase was primarily due to increased workshops and revenue raised by them. An effort to use these enterprise funds will be made in the future to decrease other costs.
- Government-wide revenues increased 15% from \$4,122,958 in fiscal year 2006 to \$4,728,306 in fiscal year 2007. Government-wide expenses increased 15% from \$4,081,760 in fiscal year 2006 to \$4,682,757 in fiscal year 2007.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

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, 2007**

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"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses, and Changes in Fund Net Assets • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets
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, 2007**

**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 community 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, 2007

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, 2007**

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 \$928,645 as of June 30, 2007.

A portion of Rock Island County Regional Office of Education No. 49's net assets (9%) 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, 2007 and 2006.

2007

	Governmental Activities	Business- Type Activities	Total
Current assets	\$ 422,848	\$ 691,338	\$ 1,114,186
Capital assets, net of accumulated depreciation	<u>58,925</u>	<u>28,689</u>	<u>87,614</u>
Total assets	<u>481,773</u>	<u>720,027</u>	<u>1,201,800</u>
Current liabilities	<u>270,307</u>	<u>2,848</u>	<u>273,155</u>
Net assets			
Invested in capital assets, net of related debt	58,925	28,689	87,614
Unrestricted	13,336	688,490	701,826
Restricted for teacher professional development	<u>139,205</u>	<u>-</u>	<u>139,205</u>
Total net assets	<u>\$ 211,466</u>	<u>\$ 717,179</u>	<u>\$ 928,645</u>

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

<u>2006</u>	Governmental Activities	Business- Type Activities	Total
Current assets	\$ 501,345	\$ 633,389	\$ 1,134,734
Capital assets, net of accumulated depreciation	72,742	35,276	108,018
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>
Total net assets	<u>\$ 214,431</u>	<u>\$ 668,665</u>	<u>\$ 883,096</u>

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 \$701,826 and \$649,342 for 2007 and 2006, 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, 2007 was \$4,728,306. The total cost of all programs and services was \$4,682,757. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2007 and 2006.

<u>2007</u>	Governmental Activities	Business- Type Activities	Total
Revenues:			
Program revenues			
Charges for services	\$ -	\$ 921,903	\$ 921,903
Operating grants and contributions	3,427,573	-	3,427,573
General revenues			
Local sources	57,605	-	57,605
State sources	10,674	-	10,674
On-behalf payments	<u>310,551</u>	<u>-</u>	<u>310,551</u>
Total revenues	<u>3,806,403</u>	<u>921,903</u>	<u>4,728,306</u>

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

2007

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Expenses:			
Instructional services			
Salaries	\$ 906,664	\$ 361,161	\$ 1,267,825
Benefits	88,452	34,896	123,348
Purchased services	2,128,890	422,847	2,551,737
Supplies and materials	144,953	27,959	172,912
Capital outlay	13,847	-	13,847
Other objects	1,000	-	1,000
Payments to other governments	182,957	15,072	198,029
Depreciation	32,054	11,454	43,508
Administrative			
On-behalf payments	<u>310,551</u>	<u>-</u>	<u>310,551</u>
Total expenses	<u>3,809,368</u>	<u>873,389</u>	<u>4,682,757</u>
Change in net assets	(2,965)	48,514	45,549
Net assets, beginning of year	<u>214,431</u>	<u>668,665</u>	<u>883,096</u>
Net assets, end net assets	<u>\$ 211,466</u>	<u>\$ 717,179</u>	<u>\$ 928,645</u>

Operating grants and contributions account for 72% of the total revenue. Rock Island County Regional Office of Education No. 49's expenses primarily relate to instructional services, which account for 93% of the total expenses.

2006

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Revenues:			
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	<u>269,138</u>	<u>-</u>	<u>269,138</u>
Total revenues	<u>3,288,438</u>	<u>834,520</u>	<u>4,122,958</u>

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

<u>2006</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Expenses:			
Instructional services			
Salaries	\$ 821,487	\$ 279,216	\$ 1,100,703
Benefits	75,877	23,417	99,294
Purchased services	1,749,020	337,123	2,086,143
Supplies and materials	101,040	25,113	126,153
Capital outlay	4,391	-	4,391
Other objects	1,431	103	1,534
Payments to other governments	229,169	106,586	335,755
Depreciation	35,525	23,124	58,649
Administrative			
On-behalf payments	<u>269,138</u>	<u>-</u>	<u>269,138</u>
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
Net assets, beginning of year	<u>213,071</u>	<u>628,827</u>	<u>841,898</u>
Net assets, end net assets	<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 93% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,806,403 and \$3,288,438 and expenses were \$3,809,368 and \$3,287,078 for 2007 and 2006, 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, 2007**

<u>2007</u>	<u>Total Expenses</u>	<u>Net (Expenses) Revenues</u>
Instructional services		
Salaries	\$ 906,664	\$ (14,940)
Benefits	88,452	(1,458)
Purchased services	2,128,890	(35,080)
Supplies and materials	144,953	(2,389)
Capital outlay	13,847	17,708
Other objects	1,000	(16)
Payments to other governments	182,957	(3,015)
Depreciation	32,054	(32,054)
Administrative		
On-behalf payments	<u>310,551</u>	<u>(310,551)</u>
Total expenses	<u>\$ 3,809,368</u>	<u>\$ (381,795)</u>

<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>
Total expenses	<u>\$ 3,287,078</u>	<u>\$ (341,358)</u>

- The cost of all governmental activities was \$3,809,368 and \$3,287,078 for 2007 and 2006, respectively.
- Federal and state governments subsidized certain governmental activities with grants and contributions of \$3,427,573 and \$2,945,720 for 2007 and 2006, respectively.

Net cost of governmental activities (\$381,795), was financed by general revenues, which are made up of primarily local and state sources (\$68,279) and on-behalf payments (\$310,551) for 2007.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

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.

Business-Type Activities

Revenues for business type-activities were \$921,903 and \$834,520 and expenses were \$873,389 and \$794,682 for 2007 and 2006, 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 revenue from grant initiatives and workshops/educational offerings to ROE area educators.

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 \$152,541, above last year's ending fund balances of \$141,689.

Governmental Fund Highlights

The Institute Fund balance increased from \$125,736 in 2006 to \$139,205 in 2007. The increase was primarily due to increased certificate registrations. Registrations can be affected by district new hiring and five-year cyclic registration trends.

The Education Fund balance remained constant at \$-0- in 2007. This fund balance should remain constant because it is made up of grants that are required to be expended within the applicable grant year. This fact was seen as overall 2007 revenues increased 16% from \$2,831,239 in fiscal year 2006 to \$3,282,329 in fiscal year 2007 due mostly to an increase in grant awards with overall 2007 expenses increasing as well at 16% from \$2,831,239 in fiscal year 2006 to \$3,282,329 in fiscal year 2007.

Proprietary Fund Highlights

Workshop Fund net assets increased from \$668,665 at June 30, 2006 to \$717,179 at June 30, 2007, representing an increase of approximately 7% due to an increase of workshops being held.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

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.

CAPITAL ASSETS

As of June 30, 2007, Rock Island County Regional Office of Education No. 49 had invested \$87,614 in capital assets, including furniture and equipment. This amount represents a net increase prior to depreciation of \$23,014 from last year. Total depreciation expense for the year was \$43,508.

The following schedules present capital asset balances net of depreciation for the fiscal years ended June 30, 2007 and 2006.

<u>2007</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Furniture and equipment	\$ 58,925	\$ 28,689	\$ 87,614
<u>2006</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Furniture and equipment	\$ 72,742	\$ 35,276	\$ 108,018

Additional information on Rock Island County Regional Office of Education No. 49's capital assets can be found in Note 4 on page 65 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.

The financial health of the Rock Island County Regional Office of Education is dependent upon proper financial oversight and continued funding provided by:

- The State of Illinois ISBE's School Services for Operating Expenses to ROEs.
- ISBE's support of grants in School Improvement, Math and Science, Truancy, and Early Childhood.
- Grant initiatives such as Smaller Learning Communities and 21st Century Community Learning.
- The Rock Island County support for staff and office facility/supplies.

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

**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 constituents 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 COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 123,340	\$ 591,936	\$ 715,276
Due from other governments	299,508	-	299,508
Other assets	-	99,402	99,402
Total current assets	<u>422,848</u>	<u>691,338</u>	<u>1,114,186</u>
Noncurrent assets:			
Capital assets, being depreciated, net	<u>58,925</u>	<u>28,689</u>	<u>87,614</u>
Total assets	<u>481,773</u>	<u>720,027</u>	<u>1,201,800</u>
LIABILITIES			
Current liabilities:			
Accounts payable	149,669	2,848	152,517
Due to other governments	11,040	-	11,040
Deferred revenue	109,598	-	109,598
Total liabilities	<u>270,307</u>	<u>2,848</u>	<u>273,155</u>
NET ASSETS			
Invested in capital assets, net of related debt	58,925	28,689	87,614
Unrestricted	13,336	688,490	701,826
Restricted for teacher professional development	139,205	-	139,205
Total net assets	<u>\$ 211,466</u>	<u>\$ 717,179</u>	<u>\$ 928,645</u>

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

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

EXHIBIT B

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
Instructional services:						
Salaries	\$ 906,664	\$ -	\$ 891,724	\$ (14,940)	\$ -	\$ (14,940)
Benefits	88,452	-	86,994	(1,458)	-	(1,458)
Purchased services	2,128,890	-	2,093,810	(35,080)	-	(35,080)
Supplies and materials	144,953	-	142,564	(2,389)	-	(2,389)
Capital outlay	13,847	-	31,555	17,708	-	17,708
Other objects	1,000	-	984	(16)	-	(16)
Payments to other governments	182,957	-	179,942	(3,015)	-	(3,015)
Depreciation	32,054	-	-	(32,054)	-	(32,054)
Administrative:						
On-behalf payments	310,551	-	-	(310,551)	-	(310,551)
Total governmental activities	3,809,368	-	3,427,573	(381,795)	-	(381,795)
Business-type activities:						
Other	873,389	921,903	-	-	48,514	48,514
Total primary government	\$ 4,682,757	\$ 921,903	\$ 3,427,573	(381,795)	48,514	(333,281)
General revenues:						
Local sources				57,605	-	57,605
State sources				10,674	-	10,674
On-behalf payments				310,551	-	310,551
Total general revenues				378,830	-	378,830
CHANGES IN NET ASSETS				(2,965)	48,514	45,549
NET ASSETS, BEGINNING OF YEAR				214,431	668,665	883,096
NET ASSETS, END OF YEAR				\$ 211,466	\$ 717,179	\$ 928,645

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

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	<u>General Fund</u>	<u>Institute Fund</u>	<u>Education Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash (overdrafts) and cash equivalents	\$ -	\$ 139,205	\$ (28,656)	\$ 12,791	\$ 123,340
Due from other governments	-	-	298,963	545	299,508
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 139,205</u>	<u>\$ 270,307</u>	<u>\$ 13,336</u>	<u>\$ 422,848</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 149,669	\$ -	\$ 149,669
Due to other governments	-	-	11,040	-	11,040
Deferred revenue	-	-	109,598	-	109,598
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	-	-	270,307	-	270,307
FUND BALANCES					
Unreserved, reported in:					
Special revenue funds	-	139,205	-	13,336	152,541
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 139,205</u>	<u>\$ 270,307</u>	<u>\$ 13,336</u>	<u>\$ 422,848</u>

The accompanying notes are an integral part of the 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, 2007

Total fund balances - governmental funds (page 48)	\$ 152,541
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>58,925</u>
Net assets of governmental activities (page 46)	<u>\$ 211,466</u>

The accompanying notes are an integral part of the 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, 2007

	<u>General</u> <u>Fund</u>	<u>Institute</u> <u>Fund</u>	<u>Education</u> <u>Fund</u>	<u>Other</u> <u>Nonmajor</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
REVENUES:					
Local sources	\$ -	\$ 47,661	\$ -	\$ 9,944	\$ 57,605
State sources	153,618	-	2,351,731	2,300	2,507,649
Federal sources	-	-	930,598	-	930,598
On-behalf payments	310,551	-	-	-	310,551
Total revenues	<u>464,169</u>	<u>47,661</u>	<u>3,282,329</u>	<u>12,244</u>	<u>3,806,403</u>
EXPENDITURES:					
Current:					
Education:					
Salaries	80,287	-	826,377	-	906,664
Benefits	13,399	-	75,053	-	88,452
Purchased services	20,546	31,579	2,065,345	11,420	2,128,890
Supplies and materials	6,541	2,117	132,854	3,441	144,953
Capital outlay	-	496	31,588	-	32,084
Other objects	1,000	-	-	-	1,000
Payments to other governments	31,845	-	151,112	-	182,957
On-behalf payments	310,551	-	-	-	310,551
Total expenditures	<u>464,169</u>	<u>34,192</u>	<u>3,282,329</u>	<u>14,861</u>	<u>3,795,551</u>
NET CHANGE IN FUND BALANCES	-	13,469	-	(2,617)	10,852
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>125,736</u>	<u>-</u>	<u>15,953</u>	<u>141,689</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 139,205</u>	<u>\$ -</u>	<u>\$ 13,336</u>	<u>\$ 152,541</u>

The accompanying notes are an integral part of the 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, 2007**

Net change in fund balances (page 50) \$ 10,852

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	\$	18,237	
Depreciation expense		<u>(32,054)</u>	<u>(13,817)</u>

Change in net assets of governmental activities (page 47) \$ (2,965)

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

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	<u>Enterprise Fund Workshops</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 591,936
Other assets	99,402
Total current assets	691,338
Noncurrent assets:	
Capital assets, net of accumulated depreciation	28,689
Total assets	720,027
LIABILITIES	
Accounts payable	2,848
NET ASSETS	
Invested in capital assets, net of related debt	28,689
Unrestricted	688,490
Total net assets	\$ 717,179

The accompanying notes are an integral part of the 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, 2007

	Enterprise Fund Workshops
Operating revenues:	
Charges for services	\$ <u>921,903</u>
Operating expenses:	
Current:	
Education:	
Salaries	361,161
Benefits	34,896
Purchased services	422,847
Supplies and materials	27,959
Payments to other governments	15,072
Depreciation expense	<u>11,454</u>
Total operating expenses	<u>873,389</u>
Change in net assets	48,514
Total net assets - beginning	<u>668,665</u>
Total net assets - ending	<u>\$ 717,179</u>

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

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	<u>Enterprise Fund Workshops</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from workshops	\$ 892,799
Payments to suppliers and providers of goods and services	(463,030)
Payments to employees	<u>(396,057)</u>
Net cash provided by operating activities	33,712
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	<u>(4,867)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,845
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>563,091</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 591,936</u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 48,514
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	11,454
Change in assets and liabilities:	
Increase in other assets	(29,104)
Increase in accounts payable	<u>2,848</u>
Net cash provided by operating activities	<u>\$ 33,712</u>

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

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>42,578</u>
LIABILITIES	
Due to others	\$ 9,378
Due to other governments and agencies	<u>33,200</u>
Total liabilities	\$ <u>42,578</u>

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

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 following fund is the general fund of the Rock Island County Regional Office of Education No. 49:

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

Major Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than fiduciary or major capital projects) that are legally restricted to expenditures for specified purposes. Major special revenue funds include the following:

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

Education Fund - to account 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.

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Early Childhood Teacher Preparation - to account for grant monies received for, and payment of, expenses for teacher preparation programs.

Nonmajor Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than fiduciary or major capital projects) that are legally restricted to expenditures for specified purposes. Nonmajor special revenue funds include the following:

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
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Rock Island County Regional Office of Education No. 49's proprietary fund is the Enterprise, Workshops Fund. Proprietary funds are those in which revenues and expenses related to services provided to organizations inside the Regional Office of Education No. 49's region on a cost reimbursement basis are reported. 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.

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.

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, Title IV - 21st Century - RIHS UTHS, Title IV - 21st Century Community Learning Centers, Title IV - 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, McKinney Education for Homeless Children, and Early Childhood Teacher Preparation).

NOTE 2 - 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, 2007, the carrying amount of Rock Island County Regional Office of Education No. 49's deposits was \$757,854 and the bank balance was \$910,945.

Of the total bank balance, \$163,773 was secured by federal depository insurance and \$747,172 was collateralized with securities held by the financial institution's trust department in Rock Island County Regional Office of Education No. 49's name.

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, 2007, 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 Statement of Net Assets for the primary government is as follows:

	<u>Carrying Amount</u>
Cash and cash equivalents - Governmental Activities	\$ 123,340
Cash and cash equivalents - Business-type Activities	591,936
Cash and cash equivalents - Agency	<u>42,578</u>
Total	<u>\$ 757,854</u>

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3 - DUE FROM/TO OTHER GOVERNMENTS

Amounts due from/to other governments as of June 30, 2007 are as follows:

	<u>Due From</u>	<u>Due To</u>
Education Fund		
Mathematics and Science Partnership		
Due from US Dept of Education	\$ 39,759	\$ -
Title IV - 21 st Century RIHS UTHS		
Due from ISBE	57,805	-
Title IV - 21 st Century Community Learning Centers		
Due to ISBE	100,523	-
Title IV - 21 st Century Edison		
Due from ISBE	20,176	-
Due to local governments	-	11,040
Regional Safe Schools Program		
Due from ISBE	12,593	-
Early Childhood Ages 3-5		
Due from ISBE	44,191	-
Early Childhood Pre-K		
Due from ISBE	6,388	-
McKinney Education for Homeless Children		
Due from state government	4,800	-
Early Childhood Teacher Preparation		
Due from ISBE	12,728	-
Other Nonmajor Funds		
General Educational Development		
Due from local governments	245	-
School Bus Driver Training		
Due from local governments	300	-
Agency Fund		
Distributive		
Due to various local governmental agencies	<u>-</u>	<u>33,200</u>
Total	<u>\$ 299,508</u>	<u>\$ 44,240</u>

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 - CAPITAL ASSETS

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

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Governmental activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ 264,374	\$ 18,237	\$ -	\$ 282,611
Accumulated depreciation	<u>(191,632)</u>	<u>(32,054)</u>	<u>-</u>	<u>(223,686)</u>
Governmental activities capital assets, net	<u>\$ 72,742</u>	<u>\$ (13,817)</u>	<u>\$ -</u>	<u>\$ 58,925</u>
Business-type activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ 93,931	\$ 4,867	\$ -	\$ 98,798
Accumulated depreciation	<u>(58,655)</u>	<u>(11,454)</u>	<u>-</u>	<u>(70,109)</u>
Business-type activities capital assets, net	<u>\$ 35,276</u>	<u>\$ (6,587)</u>	<u>\$ -</u>	<u>\$ 28,689</u>
Depreciation expense was charged as follows:				
Governmental activities:				
Instruction:				
Depreciation expense				<u>\$ 32,054</u>
Business-type activities:				
Other:				
Depreciation expense				<u>\$ 11,454</u>

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 5 - 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 or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 5 - EMPLOYEE BENEFIT PLAN (CONTINUED)

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 2006 was 9.22% percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2006 was 5 years.

For December 31, 2006, Rock Island County Regional Office of Education No. 49's annual pension cost of \$49,329 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, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2006 actuarial valuation were based on the 2002-2004 experience study.

TREND INFORMATION

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/06	\$ 49,329	100%	\$ -
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%	-

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 6 - 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, 2007, was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The Regional Office of Education No. 49 THIS Fund contribution was 0.6 percent during the year ended June 30, 2007, and the member THIS Fund health insurance contribution was 0.80 percent.

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, 2007, the State of Illinois contributions were based on 9.78 percent of creditable earnings, and the Regional Office of Education No. 49 recognized revenue and expenditures of \$64,282 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2006, and June 30, 2005, the State of Illinois contribution rates as percentages of creditable earnings were 7.06 percent (\$53,009) and 11.76 percent (\$42,964), respectively.

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

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

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 6 - RETIREMENT PLANS (CONTINUED)

- **2.2 Formula Contributions.** Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. This rate is specified by statute. Contribution for the year ended June 30, 2007 was \$3,966. Contributions for the years ending June 30, 2006, and June 30, 2005, were \$3,271 and \$2,769, 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 for employees paid from federal and trust funds will be the same as the state contribution rate for TRS. For the year ended June 30, 2007, the employer pension contribution was 9.78 percent of salaries paid from federal and trust funds. For the year ended June 30, 2006, the employer pension contribution was 7.06 percent of salaries paid from those funds. For the year ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2007, salaries totaling \$74,033 were paid from federal and trust funds that required employer contributions of \$7,240. For the years ended June 30, 2006, and June 30, 2005, there were \$6,024 and \$10,700 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, 2007, June 30, 2006, and June 30, 2005, the Regional Office of Education No. 49 paid no employer contributions under the Early Retirement Option.

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 6 - RETIREMENT PLANS (CONTINUED)

- **Salary increases over 6 percent and excess sick leave.** Public Act 94-0004 added two new employer contributions to TRS.
 - If an employer grants salary increases over 6 percent and those salaries are used to calculate a retiree's final average salary, the employer makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases up to 6 percent. For the years ended June 30, 2007 and June 30, 2006, the Regional Office of Education No. 49 did not make any contributions to TRS for salary increases in excess of 6 percent.
 - If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary used to calculate final average salary, and the TRS total normal cost rate (17.60 percent of salary during the year ended June 30, 2007). For the years ended June 30, 2007 and June 30, 2006, the Regional Office of Education No. 49 did not make any contributions to TRS for sick leave days granted in excess of normal annual allotment.

TRS financial information, an explanation of TRS' benefits, and descriptions of member, employer and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2006. The report for the year ended June 30, 2007, is expected to be available in late 2007. The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, IL 62794-9253. The most current report is also available on the TRS Web site at www.trs.state.il.us.

NOTE 7 - 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.

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 7 - INTEREST EARNINGS ON PUBLIC FUNDS (CONTINUED)

At June 30, 2007, undistributed interest earnings credited to other governments and organizations are as follows:

State and Federal Aid Distributive Fund	<u>\$ 28,057</u>
-----------------------------------------	------------------

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 8 - 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, 2007 is as follows:

Regional Superintendent salary	\$ 88,540
Regional Superintendent benefits (Includes State paid insurance)	21,244
Assistant Regional Superintendent salary	79,685
Assistant Regional Superintendent benefits (Includes State paid insurance)	20,664
County On-behalf payments	36,136
TRS On-behalf payments	<u>64,282</u>
Total	<u>\$ 310,551</u>

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

NOTE 9 - NEW PRONOUNCEMENTS

In 2007, Rock Island County Regional Office of Education No. 49 adopted Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The Regional Office of Education implemented this standard during the current year; however, it did not have a significant impact on the financial statements.

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

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

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
SCHEDULE OF FUNDING PROGRESS - IMRF (Unaudited)
June 30, 2007

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/06	\$ 424,950	\$ 448,588	\$ 23,638	94.73%	\$ 535,018	4.42%
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%

On a market value basis, the actuarial value of assets as of December 31, 2006 is \$453,246. On a market basis, the funded ratio would be 101.04 percent.

***Digest of Changes**

The actuarial assumptions used to determine the actuarial accrued liability for 2006 are based on the 2002-2004 Experience Study. The principal changes were:

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

SLEP Member contribution rate changed from 6.50 percent to 7.50 percent effective June 1, 2006.

These financial statements should be read only in connection with
the accompanying 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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with</u> <u>Final</u> <u>Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State sources	\$ 153,618	\$ 153,618	\$ 153,618	\$ -
On-behalf payments	-	-	310,551	310,551
Total revenues	<u>153,618</u>	<u>153,618</u>	<u>464,169</u>	<u>310,551</u>
EXPENDITURES:				
Current:				
Education:				
Salaries	82,000	82,000	80,287	1,713
Benefits	8,000	12,000	13,399	(1,399)
Purchased services	19,255	19,255	20,546	(1,291)
Supplies and materials	11,518	7,518	6,541	977
Other objects	1,000	1,000	1,000	-
Payments to other governments	31,845	31,845	31,845	-
On-behalf payments	-	-	310,551	(310,551)
Total expenditures	<u>\$ 153,618</u>	<u>\$ 153,618</u>	<u>464,169</u>	<u>\$ (310,551)</u>
NET CHANGE IN FUND BALANCES			-	
FUND BALANCE, BEGINNING OF YEAR			<u>-</u>	
FUND BALANCE, END OF YEAR			<u>\$ -</u>	

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2007

SCHEDULE 2

	Mathematics and Science Partnership	Title IV - 21st Century RIHS UTHS	Title IV - 21st Century Community Learning Centers	Title IV - 21st Century Edison	Technology Program
ASSETS					
Cash (overdrafts) and cash equivalents	\$ 86,107	\$ 20,646	\$ (90,601)	\$ (9,136)	\$ 117
Due from other governments	<u>39,759</u>	<u>57,805</u>	<u>100,523</u>	<u>20,176</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 125,866</u>	<u>\$ 78,451</u>	<u>\$ 9,922</u>	<u>\$ 11,040</u>	<u>\$ 117</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 26,218	\$ 78,451	\$ 9,922	\$ -	\$ 117
Due to other governments	-	-	-	11,040	-
Deferred revenue	<u>99,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	125,866	78,451	9,922	11,040	117
FUND BALANCES, UNRESERVED	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES, UNRESERVED	<u>\$ 125,866</u>	<u>\$ 78,451</u>	<u>\$ 9,922</u>	<u>\$ 11,040</u>	<u>\$ 117</u>

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 June 30, 2007

SCHEDULE 2
 (CONTINUED)

	<u>Regional Safe Schools Program</u>	<u>Truants' Alt. and Optional Education</u>	<u>Early Childhood Ages 0-3</u>	<u>Early Childhood Ages 3-5</u>
ASSETS				
Cash (overdrafts) and cash equivalents	\$ (12,593)	\$ 36	\$ 620	\$ (33,215)
Due from other governments	<u>12,593</u>	<u>-</u>	<u>-</u>	<u>44,191</u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 36</u>	<u>\$ 620</u>	<u>\$ 10,976</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 36	\$ 620	\$ 9,471
Due to other governments	-	-	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,505</u>
Total liabilities	-	36	620	10,976
FUND BALANCES, UNRESERVED	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES, UNRESERVED	<u>\$ -</u>	<u>\$ 36</u>	<u>\$ 620</u>	<u>\$ 10,976</u>

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2007

SCHEDULE 2
(CONTINUED)

	<u>Early Childhood Pre-K</u>	<u>McKinney Education for Homeless Children</u>	<u>Early Childhood Teacher Preparation</u>	<u>Total</u>
ASSETS				
Cash (overdrafts) and cash equivalents	\$ 2,971	\$ (1,840)	\$ 8,232	\$ (28,656)
Due from other governments	<u>6,388</u>	<u>4,800</u>	<u>12,728</u>	<u>298,963</u>
TOTAL ASSETS	<u>\$ 9,359</u>	<u>\$ 2,960</u>	<u>\$ 20,960</u>	<u>\$ 270,307</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 9,359	\$ 2,960	\$ 12,515	\$ 149,669
Due to other governments	-	-	-	11,040
Deferred revenue	<u>-</u>	<u>-</u>	<u>8,445</u>	<u>109,598</u>
Total liabilities	9,359	2,960	20,960	270,307
FUND BALANCES, UNRESERVED	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES, UNRESERVED	<u>\$ 9,359</u>	<u>\$ 2,960</u>	<u>\$ 20,960</u>	<u>\$ 270,307</u>

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, 2007

SCHEDULE 3

	Mathematics and Science Partnership	Title IV - 21st Century RIHS UTHS	Title IV - 21st Century Community Learning Centers	Title IV - 21st Century Edison	Technology Program
REVENUES:					
State sources	\$ -	\$ -	\$ -	\$ -	\$ 94,138
Federal sources	217,217	262,012	269,303	134,066	-
Total revenues	217,217	262,012	269,303	134,066	94,138
EXPENDITURES:					
Current:					
Education:					
Salaries	52,503	31,010	17,187	17,021	37,964
Benefits	10,613	4,042	1,232	2,520	4,888
Purchased services	109,165	226,960	248,884	112,481	51,286
Supplies and materials	37,028	-	2,000	2,044	-
Capital outlay	7,908	-	-	-	-
Payments to other governments	-	-	-	-	-
Total expenditures	217,217	262,012	269,303	134,066	94,138
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	-	-
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR	-	-	-	-	-
FUND BALANCE, UNRESERVED, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2007

	<u>Regional Safe Schools Program</u>	<u>Truants' Alt. and Optional Education</u>	<u>Early Childhood Ages 0-3</u>	<u>Early Childhood Ages 3-5</u>
REVENUES:				
State sources	\$ 372,138	\$ 87,103	\$ 52,808	\$ 1,083,138
Federal sources	-	-	-	-
Total revenues	<u>372,138</u>	<u>87,103</u>	<u>52,808</u>	<u>1,083,138</u>
EXPENDITURES:				
Current:				
Education:				
Salaries	47,903	63,501	28,922	348,147
Benefits	8,113	9,592	2,702	20,169
Purchased services	163,510	13,429	11,688	679,631
Supplies and materials	1,500	581	9,496	30,195
Capital outlay	-	-	-	4,996
Payments to other governments	151,112	-	-	-
Total expenditures	<u>372,138</u>	<u>87,103</u>	<u>52,808</u>	<u>1,083,138</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	-
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, UNRESERVED, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES **SCHEDULE 3**
(CONTINUED)
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2007

	<u>Early Childhood Pre-K</u>	<u>McKinney Education for Homeless Children</u>	<u>Early Childhood Teacher Preperation</u>	<u>Total</u>
REVENUES:				
State sources	\$ 600,000	\$ -	\$ 62,406	\$ 2,351,731
Federal sources	-	48,000	-	930,598
Total revenues	600,000	48,000	62,406	3,282,329
EXPENDITURES:				
Current:				
Education:				
Salaries	137,570	28,412	16,237	826,377
Benefits	5,959	4,850	373	75,053
Purchased services	412,224	7,708	28,379	2,065,345
Supplies and materials	33,963	7,030	9,017	132,854
Capital outlay	10,284	-	8,400	31,588
Payments to other governments	-	-	-	151,112
Total expenditures	600,000	48,000	62,406	3,282,329
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	-
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, UNRESERVED, END OF YEAR	\$ -	\$ -	\$ -	\$ -

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 Year Ended June 30, 2007

SCHEDULE 4

	Mathematics and Science Partnership				Title IV - 21st Century - RIHS UTHS				Title IV - 21st Century Community Learning Centers			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
REVENUES:												
State sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	245,000	245,000	217,217	(27,783)	283,400	283,400	262,012	(21,388)	281,300	281,300	269,303	(11,997)
Total revenues	245,000	245,000	217,217	(27,783)	283,400	283,400	262,012	(21,388)	281,300	281,300	269,303	(11,997)
EXPENDITURES:												
Current:												
Education:												
Salaries	61,000	61,000	52,503	8,497	32,000	32,000	31,010	990	18,000	18,000	17,187	813
Benefits	6,185	6,185	10,613	(4,428)	3,800	3,800	4,042	(242)	1,300	1,300	1,232	68
Purchased services	143,995	143,995	109,165	34,830	247,600	247,600	226,960	20,640	261,000	261,000	248,884	12,116
Supplies and materials	28,820	28,820	37,028	(8,208)	-	-	-	-	1,000	1,000	2,000	(1,000)
Capital outlay	5,000	5,000	7,908	(2,908)	-	-	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	245,000	245,000	217,217	27,783	283,400	283,400	262,012	21,388	281,300	281,300	269,303	11,997
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	-	\$ -
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR			-				-				-	
FUND BALANCE, UNRESERVED, END OF YEAR			\$ -				\$ -				\$ -	

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 Year Ended June 30, 2007

SCHEDULE 4
(CONTINUED)

	Title IV - 21st Century - Edison				Technology Program				Regional Safe Schools Program *			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
REVENUES:												
State sources	\$ -	\$ -	\$ -	\$ -	\$ 94,138	\$ 94,138	\$ 94,138	\$ -	\$ 221,026	\$ 221,026	\$ 372,138	\$ 151,112
Federal sources	162,700	162,700	134,066	(28,634)	-	-	-	-	-	-	-	-
Total revenues	<u>162,700</u>	<u>162,700</u>	<u>134,066</u>	<u>(28,634)</u>	<u>94,138</u>	<u>94,138</u>	<u>94,138</u>	<u>-</u>	<u>221,026</u>	<u>221,026</u>	<u>372,138</u>	<u>151,112</u>
EXPENDITURES:												
Current:												
Education:												
Salaries	18,480	18,480	17,021	1,459	39,652	39,652	37,964	1,688	46,965	46,965	47,903	(938)
Benefits	1,520	1,520	2,520	(1,000)	3,678	3,678	4,888	(1,210)	8,248	8,248	8,113	135
Purchased services	141,500	141,500	112,481	29,019	50,808	50,808	51,286	(478)	165,313	165,313	163,510	1,803
Supplies and materials	1,200	1,200	2,044	(844)	-	-	-	-	500	500	1,500	(1,000)
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-	-	-	-	-	151,112	(151,112)
Total expenditures	<u>162,700</u>	<u>162,700</u>	<u>134,066</u>	<u>28,634</u>	<u>94,138</u>	<u>94,138</u>	<u>94,138</u>	<u>-</u>	<u>221,026</u>	<u>221,026</u>	<u>372,138</u>	<u>(151,112)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR			<u>-</u>				<u>-</u>				<u>-</u>	
FUND BALANCE, UNRESERVED, END OF YEAR			<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, 2007

SCHEDULE 4
(CONTINUED)

	Truants' Alt. and Optional Education				Early Childhood Ages 0-3				Early Childhood Ages 3-5			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
REVENUES:												
State sources	\$ 87,103	\$ 87,103	\$ 87,103	\$ -	\$ 52,285	\$ 52,808	\$ 52,808	\$ -	\$ 1,074,003	\$ 1,084,643	\$ 1,083,138	\$ (1,505)
Federal sources	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>87,103</u>	<u>87,103</u>	<u>87,103</u>	<u>-</u>	<u>52,285</u>	<u>52,808</u>	<u>52,808</u>	<u>-</u>	<u>1,074,003</u>	<u>1,084,643</u>	<u>1,083,138</u>	<u>(1,505)</u>
EXPENDITURES:												
Current:												
Education:												
Salaries	63,045	63,045	63,501	(456)	38,585	29,105	28,922	183	407,486	345,115	348,147	(3,032)
Benefits	9,561	9,561	9,592	(31)	4,375	3,025	2,702	323	21,650	19,900	20,169	(269)
Purchased services	13,952	13,952	13,429	523	6,124	11,147	11,688	(541)	624,228	682,074	679,631	2,443
Supplies and materials	545	545	581	(36)	3,201	9,531	9,496	35	20,639	33,054	30,195	2,859
Capital outlay	-	-	-	-	-	-	-	-	-	4,500	4,996	(496)
Payments to other governments	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>87,103</u>	<u>87,103</u>	<u>87,103</u>	<u>-</u>	<u>52,285</u>	<u>52,808</u>	<u>52,808</u>	<u>-</u>	<u>1,074,003</u>	<u>1,084,643</u>	<u>1,083,138</u>	<u>1,505</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR			<u>-</u>				<u>-</u>				<u>-</u>	
FUND BALANCE, UNRESERVED, END OF YEAR			<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, 2007

SCHEDULE 4
 (CONTINUED)

	Early Childhood Pre-K				McKinney Education for Homeless Children			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
REVENUES:								
State sources	\$ 600,000	\$ 600,000	\$ 600,000	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	48,000	48,000	48,000	-
Total revenues	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>48,000</u>	<u>48,000</u>	<u>48,000</u>	<u>-</u>
EXPENDITURES:								
Current:								
Education:								
Salaries	190,725	134,732	137,570	(2,838)	31,000	31,000	28,412	2,588
Benefits	11,575	5,745	5,959	(214)	5,400	5,400	4,850	550
Purchased services	370,225	421,048	412,224	8,824	5,100	5,100	7,708	(2,608)
Supplies and materials	18,375	29,375	33,963	(4,588)	6,500	6,500	7,030	(530)
Capital outlay	9,100	9,100	10,284	(1,184)	-	-	-	-
Payments to other governments	-	-	-	-	-	-	-	-
Total expenditures	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>48,000</u>	<u>48,000</u>	<u>48,000</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR			<u>-</u>				<u>-</u>	
FUND BALANCE, UNRESERVED, END OF YEAR			<u>\$ -</u>				<u>\$ -</u>	

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 Year Ended June 30, 2007

SCHEDULE 4
 (CONTINUED)

	Early Childhood Teacher Preparation				Total			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
REVENUES:								
State sources	\$ 70,851	\$ 70,851	\$ 62,406	\$ (8,445)	\$ 2,199,406	\$ 2,210,569	\$ 2,351,731	\$ 141,162
Federal sources	-	-	-	-	1,020,400	1,020,400	930,598	(89,802)
Total revenues	<u>70,851</u>	<u>70,851</u>	<u>62,406</u>	<u>(8,445)</u>	<u>3,219,806</u>	<u>3,230,969</u>	<u>3,282,329</u>	<u>51,360</u>
EXPENDITURES:								
Current:								
Education:								
Salaries	42,200	33,432	16,237	17,195	989,138	852,526	826,377	26,149
Benefits	400	1,292	373	919	77,692	69,654	75,053	(5,399)
Purchased services	18,977	21,365	28,379	(7,014)	2,048,822	2,164,902	2,065,345	99,557
Supplies and materials	4,874	7,762	9,017	(1,255)	85,654	118,287	132,854	(14,567)
Capital outlay	4,400	7,000	8,400	(1,400)	18,500	25,600	31,588	(5,988)
Payments to other governments	-	-	-	-	-	-	151,112	(151,112)
Total expenditures	<u>70,851</u>	<u>70,851</u>	<u>62,406</u>	<u>8,445</u>	<u>3,219,806</u>	<u>3,230,969</u>	<u>3,282,329</u>	<u>(51,360)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR			<u>-</u>				<u>-</u>	
FUND BALANCE, UNRESERVED, END OF YEAR			<u>\$ -</u>				<u>\$ -</u>	

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2007

SCHEDULE 5

	<u>General Educational Development</u>	<u>School Bus Driver Training</u>	<u>Super- visory Expense</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 12,376	\$ 141	\$ 274	\$ 12,791
Due from other governments	<u>245</u>	<u>300</u>	<u>-</u>	<u>545</u>
TOTAL ASSETS	<u>\$ 12,621</u>	<u>\$ 441</u>	<u>\$ 274</u>	<u>\$ 13,336</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
None	\$ -	\$ -	\$ -	\$ -
FUND BALANCES, UNRESERVED	<u>12,621</u>	<u>441</u>	<u>274</u>	<u>13,336</u>
TOTAL LIABILITIES AND FUND BALANCES, UNRESERVED	<u>\$ 12,621</u>	<u>\$ 441</u>	<u>\$ 274</u>	<u>\$ 13,336</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, 2007

SCHEDULE 6

	<u>General Educational Development</u>	<u>School Bus Driver Training</u>	<u>Super- visory Expense</u>	<u>Total</u>
REVENUES:				
Local sources	\$ 9,504	\$ 440	\$ -	\$ 9,944
State sources	-	1,300	1,000	2,300
Total revenues	9,504	1,740	1,000	12,244
EXPENDITURES:				
Current:				
Education:				
Purchased services	9,262	1,430	728	11,420
Supplies and materials	3,185	256	-	3,441
Total expenditures	12,447	1,686	728	14,861
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,943)	54	272	(2,617)
FUND BALANCE, UNRESERVED, BEGINNING OF YEAR	15,564	387	2	15,953
FUND BALANCE, UNRESERVED, END OF YEAR	\$ 12,621	\$ 441	\$ 274	\$ 13,336

**ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 June 30, 2007**

	<u>Distributive</u>	<u>Cafeteria Plan</u>	<u>Wishes Program</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 33,200	\$ 9,378	\$ -	\$ 42,578
LIABILITIES				
Due to others	\$ -	\$ 9,378	\$ -	\$ 9,378
Due to other governments and agencies	<u>33,200</u>	<u>-</u>	<u>-</u>	<u>33,200</u>
TOTAL LIABILITIES	<u>\$ 33,200</u>	<u>\$ 9,378</u>	<u>\$ -</u>	<u>\$ 42,578</u>

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - AGENCY FUNDS
Year Ended June 30, 2007

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
DISTRIBUTIVE				
ASSETS				
Cash and cash equivalents	\$ 32,173	\$ 3,033,895	\$ 3,032,868	\$ 33,200
LIABILITIES				
Due to other governments and agencies	\$ 32,173	\$ 3,033,895	\$ 3,032,868	\$ 33,200
CAFETERIA PLAN				
ASSETS				
Cash and cash equivalents	\$ 10,451	\$ 71,094	\$ 72,167	\$ 9,378
LIABILITIES				
Due to others	\$ 10,451	\$ 71,094	\$ 72,167	\$ 9,378
WISHES PROGRAM				
ASSETS				
Cash and cash equivalents	\$ -	\$ 393,023	\$ 393,023	\$ -
LIABILITIES				
Due to other governments and agencies	\$ -	\$ 393,023	\$ 393,023	\$ -
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 42,624	\$ 3,498,012	\$ 3,498,058	\$ 42,578
LIABILITIES				
Due to others	\$ 10,451	\$ 71,094	\$ 72,167	\$ 9,378
Due to other governments and agencies	32,173	3,426,918	3,425,891	33,200
TOTAL LIABILITIES	<u>\$ 42,624</u>	<u>\$ 3,498,012</u>	<u>\$ 3,498,058</u>	<u>\$ 42,578</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, 2007

	Regional Office of <u>Education</u>
General State Aid	\$ 138,519
Bus Training	600
Truants Alternative	87,103
Regional Safe Schools	221,026
Early Childhood Block Grant	1,744,995
ROE Operations	153,618
Supervisory Expense	1,000
Learning Technology Center	94,138
Reorganization Incentive - Feasibility Study	3,000
21st Century Community Learning Center	339,311
Mathematics and Science Partnerships	<u>249,558</u>
	<u>\$ 3,032,868</u>

ROCK ISLAND COUNTY REGIONAL OFFICE OF EDUCATION NO. 49
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

Federal Grantor/Pass- Through Grantor, Program Title & Major Program Designation	CFDA Number	Project Number (1st 8 digits) or Contract #	Expenditures 7/1/06- 6/30/2007
U.S. Dept. of Education passed through Illinois State Board of Education:			
(M) Title IV - 21st Century Community Learning Centers	84.287	06-4421-00	\$ 7,430
(M) Title IV - 21st Century Community Learning Centers	84.287	07-4421-00	261,873
(M) Title IV - 21st Century Community Learning Centers (Edison)	84.287	07-4421-05	134,066
(M) Title IV - 21st Century Community Learning Centers (RIHS UTHS)	84.287	06-4421-04	22,264
	84.287	07-4421-04	<u>239,748</u>
			<u>665,381</u>
Mathematics and Science Partnership	84.366	06-4936-00	46,865
Mathematics and Science Partnership	84.366	07-4936-00	<u>170,352</u>
			<u>217,217</u>
U.S. Dept. of Education passed through Lee/Ogle ROE: Stewart B. McKinney Education for Homeless Children and Youth Program			
	84.196A	07-4920-00	<u>48,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 930,598</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, 2007**

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

N/A

NOTE 3 - DESCRIPTION OF MAJOR FEDERAL PROGRAMS

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 21st Century program at Edison Junior High School.

NOTE 4 - NON-CASH ASSISTANCE

N/A

NOTE 5 - AMOUNT OF INSURANCE

N/A

NOTE 6 - LOANS OR LOAN GUARANTEES OUTSTANDING

N/A

This information is an integral part of the accompanying schedule.