

State of Illinois
KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
FINANCIAL AUDIT
For the Year Ended June 30, 2009

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33

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KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33

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KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33

OFFICIALS

Regional Superintendent	Ms. Bonnie L. Harris	Current and During Audit Period
Assistant Regional Superintendent	Mr. John Delawder	During Audit Period
Assistant Regional Superintendent	Mr. Rich Qualls	Current

Offices are located at:

**121 S. Prairie Street
P.O. Box 430
Galesburg, Illinois 61401**

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33

FINANCIAL REPORT SUMMARY

The financial 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 auditors' reports do not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF AUDIT FINDINGS

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

Details of audit findings are presented in a separate report section.

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
09-01	13-14	Controls over financial statement preparation	Material Weakness

EXIT CONFERENCE

An informal exit conference was held on August 25, 2009. Attending were Regional Superintendent Bonnie Harris and auditors Robert Plier and Gabe Secrist with Ginoli & Company Ltd. Bonnie Harris provided the agency's response via email on October 16, 2009.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of Knox County Regional Office of Education #33 was performed by Ginoli & Company Ltd.

Based on their audit, the auditors expressed an unqualified opinion on the agency's basic financial statements.

**INDEPENDENT AUDITORS' REPORT**

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Knox County Regional Office of Education #33, as of and for the year ended June 30, 2009, which collectively comprise the Knox County Regional Office of Education #33's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Knox County Regional Office of Education #33'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, each major fund, and the aggregate remaining fund information of the Knox County Regional Office of Education #33, as of June 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 29, 2010 on our consideration of Knox County Regional Office of Education #33'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 on pages 18 through 21 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Knox County Regional Office of Education #33's basic financial statements. The combining and individual nonmajor fund financial statements and the budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the budgetary comparison schedules 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.

GINOLI & COMPANY LTD

GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
March 29, 2010



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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Knox County Regional Office of Education #33, as of and for the year ended June 30, 2009, which collectively comprise Knox County Regional Office of Education #33's basic financial statements and have issued our report thereon dated March 29, 2010. 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 Knox County Regional Office of Education #33'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, but not for the purpose of expressing an opinion on the effectiveness of Knox County Regional Office of Education #33's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Knox County Regional Office of Education #33's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Finding and Questioned Costs we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in finding 09-1 in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Knox County Regional Office of Education #33'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*.

Knox County Regional Office of Education #33's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Knox County Regional Office of Education #33'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 and the Illinois State Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

GINOLI & COMPANY LTD

GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
March 29, 2010

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION I – SUMMARY OF AUDITOR’S RESULTS
FOR THE YEAR ENDED JUNE 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified
Unqualified, qualified, adverse, disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? X yes ___no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___yes X none reported
- Noncompliance material to financial statements noted? ___yes X no

Federal Awards

Internal control over financial reporting:

- Material weakness(es) identified? ___yes ___no
Not applicable
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___yes ___none reported
Not applicable

Type of auditor's report issued on compliance for major programs: N/A
Unqualified, qualified, adverse, disclaimer

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? ___yes ___no
Not applicable

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION I - SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

Section I - Summary of Auditor's Results - continued

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
Not applicable	

Dollar Threshold used to distinguish between
Type A and Type B Programs: N/A

Auditee qualified as low-risk auditee yes no X n/a

**KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

FINDING NO. 09-01 – Controls Over Financial Statement Preparation (Repeat of prior year finding 08-01 & 07-01)

CRITERIA/SPECIFIC REQUIREMENT:

The Knox County Regional Office of Education #33 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 Knox County Regional Office of Education #33 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 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 have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or deferred revenues. For example, while the Regional Office did maintain records of accounts payable and accounts receivable, detailed testing of accounts payable noted two items totaling \$1,242 had been omitted from accounts payable records provided and three items for \$613 had been omitted from accounts receivable records provided.
- Additionally, no entries were provided to reconcile the ROE's grant activity, such as posting grant receivables and deferred revenues.

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.

**KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)**

FINDING NO. 09-01 – Continued

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.

RECOMMENDATION:

As part of its internal control over the preparation of its financial statements, including disclosures, the Knox County Regional Office of Education #33 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

MANAGEMENT'S RESPONSE:

The Regional Office of Education #33 understands the nature of this finding relates to internal control over financial reporting and realizes this circumstance is not unusual in an organization of this size. The Regional Office accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and review financial statements would considerably diminish the limited available funds for educational services in the region. The Regional Office does maintain records of receivables and payables but does not record them until received or paid.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION III – FEDERAL AWARD FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

Section III: Federal Award Findings

There were no findings for the fiscal year ended June 30, 2009.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
CORRECTIVE ACTION PLAN
JUNE 30, 2009

Finding No: 09-01 – Controls Over Financial Statement Preparation

CONDITION:

The Knox County Regional Office of Education #33 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 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 have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or deferred revenues. For example, while the Regional Office did maintain records of accounts payable and accounts receivable, detailed testing of accounts payable noted two items totaling \$1,242 had been omitted from accounts payable records provided and three items for \$613 had been omitted from accounts receivable records provided.
- Additionally, no entries were provided to reconcile the ROE's grant activity, such as posting grant receivables and deferred revenues.

CORRECTIVE ACTION PLAN:

The Regional Office of Education #33 understands the nature of this finding relates to internal control over financial reporting and realizes this circumstance is not unusual in an organization of this size. The Regional Office accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and review financial statements would considerably diminish the limited available funds for educational services in the region. The Regional Office does maintain records of receivables and payables but does not record them until received or paid.

ANTICIPATED DATE OF COMPLETION:

Undetermined

CONTACT PERSON:

Bonnie Harris, Regional Superintendent

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
08-01	Controls over financial statement preparation	Repeated

MANAGEMENT'S DISCUSSION AND ANALYSIS

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

The Management's Discussion and Analysis of the Knox County Regional Office of Education #33's (ROE) financial performance provides an overall narrative review of the Regional Office of Education's financial activities for the year ended June 30, 2009. The intent of this Management's Discussion and Analysis is to look at the Regional Office of Education's performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the Regional Office of Education's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this ROE's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the ROE's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

Knox County Regional Office of Education #33 has regional responsibility for five school districts: 202 – Knoxville, 205 - Galesburg, 208 - ROWVA, 210 – Williamsfield and 217 – Abingdon. Fiscal Year 2009 enrollment in these districts was just over 8,000.

FINANCIAL HIGHLIGHTS

- Total net assets increased by \$17,328, which represents a 14.5% increase from fiscal year 2008.
- General revenues account for \$307,859 in revenue, or 41.0% of all revenues. Program specific revenues in the form of grants and contributions accounted for \$442,486 or 59.0% of total revenues.
- The ROE had \$733,017 in expenses.
- Capital assets, prior to depreciation, increased by \$13,504 to total \$202,079.
- The ROE carries no long term debt.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the ROE's basic financial statements. The ROE's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the ROE's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The Statement of Net Assets presents information on all the ROE's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the ROE is improving or deteriorating.

The Statement of Activities presents information showing how the ROE's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the ROE that are principally supported by intergovernmental revenues (governmental activities). The government-wide financial statements can be found on pages 22-23 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The ROE uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Knox ROE are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the ROE's current financing requirements. Governmental funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The governmental fund statements provide a detailed short-term view of the Knox County Regional Office of Education #33's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the ROE's current financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 25 and 27, respectively.

The basic governmental fund financial statements can be found on pages 24 and 26 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-41 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the ROE, assets exceeded liabilities by \$136,792 as of June 30, 2009. The majority of this (46.5% of total assets) is cash.

The ROE's financial position is a product of several financial transactions including the net result of activities, the acquisition and disposal of capital assets and the depreciation of capital assets.

The table below presents a summary of the ROE's net assets for the fiscal years ended June 30, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Current assets	\$ 216,424	\$ 161,677
Capital assets, net	<u>13,331</u>	<u>4,143</u>
Total assets	<u>\$ 229,755</u>	<u>\$ 165,820</u>
Current liabilities	\$ 92,963	\$ 46,356
Long-term debt outstanding	<u>-0-</u>	<u>-0-</u>
Total liabilities	<u>\$ 92,963</u>	<u>\$ 46,356</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 13,331	\$ 4,143
Restricted for teacher professional development	8,206	7,062
Unrestricted	<u>115,255</u>	<u>108,259</u>
Total net assets	<u>\$ 136,792</u>	<u>\$ 119,464</u>

The net assets related to the Teacher Institute Fund are considered restricted for teacher professional development.

Changes in net assets. The ROE's total revenues for the fiscal year ended June 30, 2009 were \$750,345. The total cost of all programs and services was \$733,017. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2009 and 2008.

Revenues:	<u>2009</u>	<u>2008</u>
Program revenues		
Operating grants and contributions	\$ 442,486	\$ 420,283
General revenues		
Local sources	28,427	17,670
State sources	15,217	13,503
Federal sources	5,000	-0-
On-behalf payments – State	230,937	238,670
On-behalf payments - Local	<u>28,278</u>	<u>27,652</u>
Total revenues	<u>\$ 750,345</u>	<u>\$ 717,778</u>
Expenses:		
Instructional Services		
Salaries	\$ 320,081	\$ 276,808
Employee benefits	18,907	15,202
Purchased services	76,761	55,141
Supplies and materials	53,737	50,881
Unallocated depreciation expense	4,316	3,335
Other objects	-0-	-0-
Payments to other governmental units	-0-	-0-
Administrative Expenses		
On-behalf payments – State	230,937	238,670
On-behalf payments – Local	<u>28,278</u>	<u>27,652</u>
Total expenses	<u>\$ 733,017</u>	<u>\$ 667,689</u>
Increase (decrease) in net assets	<u>\$ 17,328</u>	<u>\$ 50,089</u>
Net assets, beginning	<u>119,464</u>	<u>69,375</u>
Net assets, ending	<u>\$ 136,792</u>	<u>\$ 119,464</u>

Governmental activities. The following table presents the cost of two major ROE functional activities: instructional and administrative services. 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 ROE's taxpayers by each of these functions.

	<u>2009</u>		<u>2008</u>	
	Total	Net (Expense)	Total	Net (Expense)
	<u>Expenses</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Revenue</u>
Instructional	\$473,802	\$ (31,316)	\$ 401,367	\$ 18,916
Administrative services	<u>259,215</u>	<u>(259,215)</u>	<u>266,322</u>	<u>(266,322)</u>
Total expenses	<u>\$733,017</u>	<u>\$(290,531)</u>	<u>\$ 667,689</u>	<u>\$ (247,406)</u>

The net cost of governmental activities, \$290,531, was financed by general revenue, which is primarily on-behalf payments, \$259,215, and local, \$28,472, and state, \$15,217, revenue.

FINANCIAL ANALYSIS OF THE ROE'S FUNDS

As noted earlier, the ROE uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the ROE's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the ROE's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the ROE's net resources available for spending at the end of the fiscal year.

The financial performance of the ROE as a whole is reflected in its governmental funds. As the ROE completed the year, its governmental funds reported a combined fund balance of \$123,461, an increase of \$8,140 due primarily to an increase in the Education Fund of \$5,056. The entire fund balance constitutes unreserved and undesignated fund balance, which are available for spending at the ROE's discretion.

The General Fund is the principal operating fund of the ROE. The balance of the General Fund did not change during Fiscal Year 2009.

CAPITAL ASSETS

Capital Assets. As of June 30, 2009, the Knox County Regional Office of Education #33's total capital assets were \$202,079, comprised mainly of school and office furniture and equipment. There was an increase in capital assets of \$13,504 from the previous year. Total accumulated depreciation as of June 30, 2009 was \$188,748 and total depreciation expense for the year was \$4,316, resulting in total net capital assets of \$13,331.

Additional information of the ROE's capital assets can be found in Note 1 on page 34 of this report.

CURRENT AND FUTURE ISSUES

Knox County Regional Office of Education #33 is financially stable. The current administration considers it a fiscal responsibility to operate within available funds, not incurring any debt. The ROE will continue its sound fiscal management to meet the many challenges of the future.

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

- The Knox County Board support remains level.
- The Regional Office of Education continues to petition the county board to employ a full-time bookkeeper for this office.
- The General State Aide funding increases has positively affected the operation of the Regional Safe School.
- The McKinney-Vento Homeless Assistance Grant remains level.
- The ROE continues to upgrade and maintain all office equipment.
- The ROE strives to upgrade all equipment at the Safe School.
- Due to the increase in funding of the TAEOP Grant, we were able to continue with the third outreach worker making it possible to serve more of the districts.

CONTACTING THE ROE'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Regional Offices' citizens, taxpayers, clients, and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Knox County Regional Office of Education, 121 S. Prairie Street, Galesburg, IL 61401.

BASIC FINANCIAL STATEMENTS

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
STATEMENT OF NET ASSETS
JUNE 30, 2009

<u>ASSETS</u>	<u>Primary Government Governmental Activities</u>
Current Assets:	
Cash and cash equivalents	\$ 106,930
Due from other governmental units:	
State	109,418
Accounts Receivable	76
Prepaid expenses	-
Total Current Assets	\$ 216,424
Noncurrent Assets:	
Capital assets, being depreciated, net	\$ 13,331
Total Assets	\$ 229,755
<u>LIABILITIES</u>	
Current Liabilities:	
Overdrafts	\$ 33,926
Accounts payable	44,217
Due to other governmental units:	
State	759
Deferred revenue	14,061
Total Current Liabilities	\$ 92,963
<u>NET ASSETS</u>	
Investment in capital assets, net of related debt	\$ 13,331
Unrestricted	115,255
Restricted for teacher professional development	8,206
Total Net Assets	\$ 136,792

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

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

FUNCTIONS/PROGRAMS	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Primary government:	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	Primary Government	
Governmental activities:			<u>Governmental Activities</u>	<u>Total</u>
Instructional services:				
Salaries	\$ 320,081	\$ 315,581	\$ (4,500)	\$ (4,500)
Employee benefits	18,907	18,638	(269)	(269)
Purchased services	76,761	40,950	(35,811)	(35,811)
Supplies and materials	53,737	53,813	76	76
Unallocated depreciation expense	4,316	-	(4,316)	(4,316)
Capital outlay	-	13,504	13,504	13,504
Administrative:				
On-behalf payments	259,215	-	(259,215)	(259,215)
Total governmental activities	\$ 733,017	\$ 442,486	\$ (290,531)	\$ (290,531)
GENERAL REVENUES:				
Local sources			\$ 28,427	\$ 28,427
State sources			15,217	15,217
Federal sources			5,000	5,000
On-behalf payments:			259,215	259,215
Total general revenues and transfers			\$ 307,859	\$ 307,859
CHANGE IN NET ASSETS			\$ 17,328	\$ 17,328
NET ASSETS, BEGINNING			119,464	119,464
NET ASSETS, ENDING			\$ 136,792	\$ 136,792

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

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

<u>ASSETS</u>	<u>General Fund</u>	<u>Education Fund</u>	<u>Institute Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ -	\$ 82,020	\$ 22,611	\$ 2,299	\$ 106,930
Due from other governmental units:					
State	-	107,434	-	1,984	109,418
Accounts Receivable	-	-	-	76	76
Prepaid expenses	-	-	-	-	-
Total Assets	\$ -	\$ 189,454	\$ 22,611	\$ 4,359	\$ 216,424
<u>LIABILITIES</u>					
Overdrafts	\$ -	\$ 32,690	\$ -	\$ 1,236	\$ 33,926
Accounts payable	-	43,245	-	972	44,217
Due to other governmental units:					
State	-	415	344	-	759
Deferred revenue	-	-	14,061	-	14,061
Total Liabilities	\$ -	\$ 76,350	\$ 14,405	\$ 2,208	\$ 92,963
<u>FUND BALANCES</u>					
Unreserved, reported in:					
General fund	\$ -	\$ -	\$ -	\$ -	\$ -
Special revenue funds	-	113,104	8,206	2,151	123,461
Total Fund Balances	\$ -	\$ 113,104	\$ 8,206	\$ 2,151	\$ 123,461
Total Liabilities and Fund Balances	\$ -	\$ 189,454	\$ 22,611	\$ 4,359	\$ 216,424

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

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total fund balances - governmental funds \$ 123,461

Amounts reported for governmental activities in the Statement of Net
Assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore, are not reported in the funds 13,331

Net assets of governmental activities \$ 136,792

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

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>Education Fund</u>	<u>Institute Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Local sources	\$ -	\$ 2,845	\$ 7,596	\$ 20,831	\$ 31,272
State sources	-	344,836	-	15,217	360,053
Federal sources	-	94,805	-	5,000	99,805
On-behalf payments	243,685	15,530	-	-	259,215
Total Revenues	<u>\$ 243,685</u>	<u>\$ 458,016</u>	<u>\$ 7,596</u>	<u>\$ 41,048</u>	<u>\$ 750,345</u>
EXPENDITURES:					
Education:					
Salaries	\$ -	\$ 315,581	\$ -	\$ 4,500	\$ 320,081
Employee benefits	-	18,638	-	269	18,907
Purchased services	-	40,950	6,452	29,359	76,761
Supplies and materials	-	48,757	-	4,980	53,737
On-behalf payments	243,685	15,530	-	-	259,215
Capital outlay	-	13,504	-	-	13,504
Total Expenditures	<u>\$ 243,685</u>	<u>\$ 452,960</u>	<u>\$ 6,452</u>	<u>\$ 39,108</u>	<u>\$ 742,205</u>
NET CHANGES IN FUND BALANCES	\$ -	\$ 5,056	\$ 1,144	\$ 1,940	\$ 8,140
FUND BALANCES, BEGINNING OF YEAR	-	108,048	7,062	211	115,321
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ 113,104</u>	<u>\$ 8,206</u>	<u>\$ 2,151</u>	<u>\$ 123,461</u>

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

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

Net change in fund balances \$ 8,140

Amounts reported for governmental activities in the Statement of Activities
 are different because:

Governmental funds report capital outlays as expenditures. However, in
 the Statement of Activities, the cost of those assets is allocated over
 their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 13,504	
Depreciation expense	<u>(4,316)</u>	
Net		9,188

Change in net assets of governmental activities \$ 17,328

NOTES TO THE FINANCIAL STATEMENTS

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Regional Office of Education's (ROE) accounting policies substantially comply with the rules prescribed by the Illinois State Board of Education. These accounting policies conform to generally accepted accounting principles, as prescribed by the Government Accounting Standards Board, which are appropriate for local governmental units of this type.

A. Financial Reporting Entity

The Knox County Regional Office of Education #33 was created by Illinois Public Act 88-89, as amended. The ROE operates under the School Code (105 ILCS 5/3 and 5/3A). The Regional Office of Education #33 encompasses Knox County in Illinois. A Regional Superintendent of Schools serves as chief administrative officer of the ROE and is elected pursuant to 105 ILCS 5/3 and 5/3A of the School Code.

The Regional Superintendent is charged with responsibility for township fund lands, registration of the names of applicants for scholarships to State controlled universities; examinations and related duties; inspection of public schools; direction of teachers and school officers; to serve as the official advisor and assistant to school officers and teachers; to conduct teachers institutes as well as to aid and encourage the formation of other teacher meetings and assist in their management; evaluate the schools in the region; examine school treasurer's books, accounts, and vouchers; examine evidence of indebtedness; file and keep the returns of elections required to be returned to the Regional Superintendent's office; and file and keep the reports and statements returned by school treasurers and trustees.

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of any monies distributed to treasurers, board presidents, clerks and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #33's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required by law.

The Regional Superintendent is responsible for inspection and approval or rejection of school treasurers' bonds. The Regional Superintendent is also required to provide the State Board of Education with an affidavit showing that the treasurers of school districts under her control are properly bonded.

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

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

A. Financial Reporting Entity - continued

For the period ended June 30, 2009, the Regional Office of Education #33 applied for, received, and administered numerous State and federal programs and grants in assistance of the educational activities of the school districts in the region. Such activities are reported as a single major special revenue fund (Education Fund).

B. Scope of the Reporting Entity

The ROE's reporting entity includes all related organizations for which it exercises oversight responsibility in accordance with Statement No. 1 of the Government Accounting Standards Board.

The ROE has developed criteria to determine whether outside agencies with activities which benefit the citizens of the ROE's geographic responsibility, including joint agreements which serve pupils from numerous school districts, should be included within its financial entity. The criteria include but are not limited to, whether the ROE 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.

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

C. Basis of Presentation and Basis of Accounting

The financial activities of the Regional Office of Education #33 consist only of governmental activities. For its reporting purposes, the ROE has separate fund and government-wide financial statements and reconciles individual line items of fund financial data to government-wide data. A brief description of the ROE's government-wide and fund financial statements is as follows:

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Basis of Presentation and Basis of Accounting – continued

Government-wide Statements: The government-wide Statement of Net Assets and Statement of Activities report the overall financial activity of the ROE. The financial activities of the ROE consist only of governmental activities, which are primarily supported by State and federal revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the ROE gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. On an accrual basis, revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function (i.e. general government) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the ROE's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining funds are aggregated and reported in a single column.

Governmental Funds – The Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accounting records and reports made by ROE officials are maintained on the cash basis of accounting. Under this method, revenue is recorded when collected and expenditures are recorded when disbursements are made. For purposes of these financial statements, the accounting for all the funds has been converted to the modified accrual basis, as required by generally accepted accounting principles. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Basis of Presentation and Basis of Accounting – continued

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the ROE; therefore, revenues are recognized based on the expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Major Funds – Generally accepted accounting principles require that the general fund be reported as a major fund and that all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% of the total for all governmental funds also be reported as major funds. Accordingly, the ROE administers the following major governmental funds:

General Funds – General funds are the general operating funds of the ROE. These funds account for all financial resources except those required to be accounted for in another fund. The general fund accounts for the ROE's on-behalf payments from the State of Illinois and the county to pay the salary and benefits of the Regional Superintendent, Assistant Regional Superintendent and clerical staff.

Education Funds – to account for grant funds administered by the Regional Office of Education. Revenue is provided by federal and State of Illinois grant funds. A description of the ROE's Education funds follows:

Regional Safe Schools – to provide funds for programs to increase safety and promote the learning environment in schools and to meet the particular educational needs of disruptive students more appropriately and individually in alternative educational environments.

Truants Alternative Education – to establish and expand program options outside of regular school attendance to prevent students from becoming chronic truants or dropping out of school and to focus on employability skills for those 16-21 years old.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Basis of Presentation and Basis of Accounting – continued

McKinney Education for Homeless Children – to address the problems that homeless children and youth face in enrolling, attending, and succeeding in school.

Western Illinois Investment – identifies potential candidates to complete questionnaires and, if eligible, enroll in college programs or earn G.E.D.

Institute Fund – This fund accounts for the ROE’s stewardship of the assets held in trust for the benefit of the ROE’s teachers. Fees are collected from registration of teachers’ certificates of qualification. Monies are expended to conduct teachers’ institutes, conferences, and workshops.

Nonmajor Funds – All nonmajor funds are aggregated and reported in a single column. The ROE administers the following nonmajor governmental funds:

General Educational Development Fund – to account for the ROE’s administration of the GED Testing Program. Revenues are received from testing and diploma fees.

Bus Driver Fund – to account for the ROE’s stewardship of the assets held in trust in connection with the Bus Driver Training Program.

KCSAP – to account for funds raised for use in the Knox County Substance Abuse Prevention program. Funds are passed through the ROE to the KCSAP committee.

ROE #33 Fund – to account for monies received from the closing of the Educational Service Center. Monies are expended to conduct staff development programs and for grant writing.

Supervisory Fund – to account for monies from the State of Illinois for expenditures incurred providing supervisory services in the county.

Workforce Investments – identify ways to build stronger working relationships between education and workforce investment. Identify ways to work closely with the local schools to increase services to the economically disadvantaged youth in Knox County.

Workshops – workshops, seminars, and classes are held throughout the school year and in the summer to help teachers and administrators gain professional knowledge and earn professional credit.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

D. Budget and Budgetary Accounting

The ROE does not adopt a formal budget for all revenues and expenditures of the governmental funds and is not legally required to do so. Certain programs administered by the ROE are subject to budget approval by the State of Illinois. These include Regional Safe Schools, Truants Alternative Education Funds, McKinney Education for Homeless Children, and Western Illinois Investment Grant.

E. Assets, Liabilities and Net Assets

Deposits and investments

The ROE's cash and cash equivalents are considered to be demand deposits and short term investments. The ROE records investments at fair market value in accordance with provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. All investment income is recognized as revenue in the appropriate fund's Statement of Revenues, Expenditures and Changes in Fund Balance. Negative balances are shown separately as overdrafts.

Receivables and payables

Transactions between funds and other entities that are representative of the recognition of revenues or expenditures are referred to as "due to/from" the other funds or entities. "Other Funds" are funds managed by the ROE. "Other Governmental Units" include the Federal Government or political subdivisions of the State of Illinois.

Accounts receivable represents amounts due to the ROE at the end of the year that will be received in the next year. These are amounts due from local sources.

Accounts payable represents amounts owed at the end of the year that will be paid in the next year. These are amounts due to vendors and others.

Prepaid expenses

Amounts disbursed to pay liabilities of the future periods are recorded as prepaid expenses in the current period.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

E. Assets, Liabilities and Net Assets – continued

Capital assets

Capital assets, which include equipment, are reported in the government-wide financial statements. Capital assets are defined as assets with a cost of \$500 or more. Capital assets are recorded at historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Capital assets are depreciated over their estimated useful lives, which approximate 5 to 7 years, using the straight line method.

Deferred revenue

Deferred revenue arises when resources are received by the ROE before it has a legal claim to them, as when monies are received prior to incurring qualifying expenditures (unearned). In subsequent periods, when both revenue recognition criteria are met, or when the ROE has a legal claim to the resources, revenue is recognized.

Net assets

In the government-wide financial statements, equity is displayed in three components as follows:

Investment in capital assets-net of depreciation – This category groups all capital assets into one component of net assets. Accumulated depreciation on these assets reduces this category.

Unrestricted net assets – This category represents the net assets of the ROE that are not restricted for any project or other purpose.

Restricted for teacher professional development – Teacher registration fees are to be used to defray expenses connected with improving the technology necessary for the efficient processing of certificates as well as any expenses incidental to teacher institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers. All funds generated remain restricted until expended only on these activities.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

F. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Intergovernmental Agreement

On July 1, 2003, the Regional Office of Education #33 entered into an Intergovernmental Agreement executed pursuant to the provisions of the Intergovernmental Cooperation Clause of the Illinois Constitution as well as the provisions of the Intergovernmental Cooperation Act of 1973 and the Illinois Admin. Code 525.110.

The Educational Service delivery system formed is known as the Two Rivers Professional Development Center. The Peoria County Regional Office of Education was designated as administrative agent and as director.

NOTE 2: CASH

The investment and deposit of ROE monies is governed by the provisions of the Illinois Revised Statutes. The ROE has no policy regarding custodial credit risk for deposits. At year-end, the carrying amount of the ROE's deposits totaled \$72,384 and the bank balances totaled \$78,779. Included in the bank balance is \$4,337 invested in the Illinois Funds. All deposits made by the ROE were covered by federal depository insurance at June 30, 2009.

The ROE's deposits were calculated as follows:

Cash	\$ 106,930
Overdrafts	(33,926)
Undeposited Funds	(435)
Petty cash on hand	<u>(185)</u>
Deposits	<u>\$ 72,384</u>

NOTE 3: COMMON BANK ACCOUNT

The Regional Office of Education #33 does not maintain separate bank accounts for all funds. The accounting records being maintained show the portion of the common checking account balance attributable to each participating fund.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units for unpaid portion of various programs consists of the following at June 30, 2009:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Illinois State Board of Education	Regional Safe Schools	\$ 38,175
Illinois State Board of Education	GED	530
Illinois State Board of Education	Western Illinois Investments	20,378
Illinois State Board of Education	Truancy	48,628
Illinois State Board of Education	ROE #33	1,454
Illinois State Board of Education	State Free Lunch	92
Illinois State Board of Education	Federal School Lunch	106
Illinois State Board of Education	Federal School Breakfast	<u>55</u>
Total		<u>\$109,418</u>

NOTE 5: DUE TO OTHER GOVERNMENTAL UNITS

Due to other governmental units consists of the following at June 30, 2009:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Illinois State Board of Education	Institute	\$ 344
Illinois State Board of Education	Truants/Alternative Education	<u>415</u>
Total		<u>\$ 759</u>

NOTE 6: DUE FROM/TO OTHER FUNDS

As of June 30, 2009, there were no interfund account balances.

NOTE 7: DEFICIT FUND BALANCE

There are no fund balance deficits at June 30, 2009.

NOTE 8: CAPITAL ASSETS

Capital asset activity during the 2009 fiscal year was as follows:

	<u>Balance</u> <u>7-1-08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6-30-09</u>
Equipment	\$188,575	\$ 13,504	\$ -	\$202,079
Less accumulated depreciation	<u>(184,432)</u>	<u>(4,316)</u>	<u>-</u>	<u>(188,748)</u>
Total	<u>\$ 4,143</u>	<u>\$ 9,188</u>	<u>\$ -</u>	<u>\$ 13,331</u>

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: RETIREMENT FUND COMMITMENTS

A. Teachers' Retirement System of the State of Illinois

The ROE 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 the primary responsibility for funding 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, 2009, 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. The active member contribution rate was also 9.4 percent for the years ended June 30, 2008 and 2007.

In addition, virtually all members pay a contribution to the Teacher's Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not part of this retirement plan. The employer THIS Fund health insurance contribution was 0.63 percent during the year ended June 30, 2009 and the member THIS Fund health insurance contribution rate was 0.84 percent.

The State of Illinois makes contributions directly to TRS on behalf of the ROE's TRS-covered employees.

- **On-behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the ROE. For the year ended June 30, 2009, State of Illinois contributions were based on 17.08 percent of creditable earnings, and the ROE recognized revenue and expenditures of \$15,530 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2008 and June 30, 2007, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 13.11 percent (\$12,527) and 9.78 percent (\$16,391), respectively.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: RETIREMENT FUND COMMITMENTS -- continued

A. Teachers' Retirement System of the State of Illinois - continued

The state contributions to TRS for the years ended June 30, 2009 and June 30, 2008 were based on an actuarial formula. The state contribution for the year ended June 30, 2007 was based on dollar amounts specified by the statute and was not actuarially determined.

The ROE makes other types of employer contributions directly to TRS.

- **2.2 formula contributions.** Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2009 were \$527. Contributions for the years ending June 30, 2008 and June 30, 2007 were \$554 and \$972, respectively.
- **Federal and trust fund contributions.** When TRS members are paid from federal and special trust funds administered by the ROE, there is a statutory requirement for the ROE to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective for the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS.

For the year ended June 30, 2009, the employer pension contribution was 17.08 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2008 and 2007, the employer contribution was 13.11 and 9.78 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2009, there were no salaries paid from federal and special trust funds. For the years ended June 30, 2008 and June 30, 2007, required ROE contributions were \$-0- and \$-0-, respectively.

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

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 did not meet these conditions, they can retire under the "Modified ERO" program which requires higher member and employer contributions to TRS. Also, under Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service (unless the member qualifies for the Pipeline ERO).

Under the Pipeline ERO, the maximum employer contribution was 100 percent of the member's highest salary used in the final average salary calculation.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: RETIREMENT FUND COMMITMENTS – continued

A. Teachers' Retirement System of the State of Illinois – continued

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, 2009, the ROE paid no employer contributions under the ERO and Modified ERO programs. For the years ended June 30, 2008 and June 30, 2007, the ROE paid \$-0- and \$-0- in employer ERO contributions, respectively.

- **Salary increases over 6 percent and excess sick leave.** Public Act 94-0004 added two additional 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 of up to 6 percent.

For the year ended June 30, 2009, the ROE paid no required contributions to TRS for salary increases in excess of 6 percent. For the years ended June 30, 2008 and June 30, 2007, the ROE paid no required contributions to TRS for salary increases in excess of 6 percent, respectively.

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 (18.67 percent of salary during the year ended June 30, 2009).

For the year ended June 30, 2009, the ROE paid no required contributions to TRS for sick leave days granted in the excess of the normal annual allotment. For the year ended June 30, 2008 and June 30, 2007, the ROE paid no employer contributions granted for sick leave days, respectively.

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, 2008. The report for the year ended June 30, 2009 is expected to be available in late 2009.

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 trs.illinois.gov.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: ON-BEHALF PAYMENTS

The following 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:

Regional Superintendent salary	\$ 96,435
Regional Superintendent benefits (includes State paid insurance)	19,420
Assistant Regional Superintendent salary	86,791
Assistant Regional Superintendent benefits (includes State paid insurance)	12,761
TRS contributions	<u>15,530</u>
Total	<u>\$230,937</u>

The following salary and benefit data for other employees of the ROE was calculated based on data provided by Knox County:

Salaries	\$22,018
Benefits	<u>6,260</u>
Total	<u>\$28,278</u>

The total of on-behalf payments for salaries and benefits shown above of \$243,685 are reported as revenues and expenditures in the General Fund. TRS contributions of \$15,530 are reported as revenues and expenditures in the Regional Safe Schools Program.

NOTE 11: RISK MANAGEMENT

The Regional Office of Education #33 is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Regional Office has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with prior years. During the year ended June 30, 2009 and the two previous fiscal years, no settlement exceeded insurance coverage.

NOTE 12: USE OF FUNDING RESOURCES

Under the terms of grant agreements, the ROE 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 funding resources available to finance the program. It is the policy of the ROE to first apply cost-reimbursement grant resources to such programs and then general revenues.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13: NEW ACCOUNTING PRONOUNCEMENT

Effective June 30, 2009, the ROE adopted Governmental Accounting Standards Board Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. There was no impact on the ROE's financial statements as a result of adopting this statement.

Effective June 30, 2009, the ROE adopted Governmental Accounting Standards Board Statement No. 52, Land and Other Real Estate Held as Investments by Endowments. There was no impact on the ROE's financial statements as a result of adopting this statement.

NOTE 14: CONTINGENCY AND SUBSEQUENT EVENT

The ROE was a defendant in a pending lawsuit as of the balance sheet date. Subsequent to year end, a settlement was reached, however, the settlement has no effect on the financial statements of the ROE. The settlement is being paid by Knox County.

SUPPLEMENTARY INFORMATION

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
JUNE 30, 2009

	<u>Regional</u>	<u>Truants</u>	<u>McKinney</u>	<u>Western</u>	
	<u>Safe</u>	<u>Alternative</u>	<u>Education</u>	<u>Illinois</u>	<u>Total</u>
	<u>Schools</u>	<u>Education</u>	<u>for Homeless</u>	<u>Investment</u>	
			<u>Children</u>	<u>Grant</u>	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 81,893	\$ -	\$ 127	\$ -	\$ 82,020
Due from other governmental units:					
State	38,428	48,628	-	20,378	107,434
Prepaid expenses	-	-	-	-	-
Total Assets	\$ 120,321	\$ 48,628	\$ 127	\$ 20,378	\$ 189,454
<u>LIABILITIES</u>					
Overdrafts	\$ -	\$ 32,690	\$ -	\$ -	\$ 32,690
Accounts payable	7,228	15,523	116	20,378	43,245
Due to other governmental units:					
State	-	415	-	-	415
Deferred revenue	-	-	-	-	-
Total Liabilities	\$ 7,228	\$ 48,628	\$ 116	\$ 20,378	\$ 76,350
<u>FUND BALANCES</u>					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	113,093	-	11	-	113,104
Total Fund Balances	\$ 113,093	\$ -	\$ 11	\$ -	\$ 113,104
Total Liabilities and Fund Balances	\$ 120,321	\$ 48,628	\$ 127	\$ 20,378	\$ 189,454

See accompanying Independent Auditors' Report.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2009

	Regional Safe Schools	Truants Alternative Education	McKinney Education for Homeless Children	Western Illinois Investment Grant	Total
REVENUES:					
Local sources	\$ 2,845	\$ -	\$ -	\$ -	\$ 2,845
State sources	223,687	121,149	-	-	344,836
Federal sources	45,355	-	8,950	40,500	94,805
On-behalf payments	15,530	-	-	-	15,530
	<hr/>				
Total Revenues	\$ 287,417	\$ 121,149	\$ 8,950	\$ 40,500	\$ 458,016
	<hr/>				
EXPENDITURES:					
Salaries	\$ 174,799	\$ 98,275	\$ 5,000	\$ 37,507	\$ 315,581
Employee benefits	8,100	7,518	383	2,637	18,638
Purchased services	24,720	12,931	3,067	232	40,950
Supplies and materials	45,708	2,425	500	124	48,757
Capital outlay	13,504	-	-	-	13,504
Other objects	-	-	-	-	-
On-behalf payments	15,530	-	-	-	15,530
	<hr/>				
Total Expenditures	\$ 282,361	\$ 121,149	\$ 8,950	\$ 40,500	\$ 452,960
	<hr/>				
NET CHANGE IN FUND BALANCES	\$ 5,056	\$ -	\$ -	\$ -	\$ 5,056
	<hr/>				
FUND BALANCES, BEGINNING OF YEAR	108,037	-	11	-	108,048
	<hr/>				
FUND BALANCES, END OF YEAR	\$ 113,093	\$ -	\$ 11	\$ -	\$ 113,104
	<hr/>				

See accompanying Independent Auditors' Report.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 BUDGETARY COMPARISON SCHEDULES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2009

	Regional Safe Schools				Truants Alternative Education				McKinney Education for Homeless Children			
	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final			Original	Final			Original	Final		
REVENUES:												
Local sources	\$ -	\$ -	\$ 2,845	\$ 2,845	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	91,631	91,631	223,687	132,056	121,565	121,565	121,149	(416)	-	-	-	-
Federal sources	-	-	45,355	45,355	-	-	-	-	8,950	8,950	8,950	-
On-behalf payments	-	-	15,530	15,530	-	-	-	-	-	-	-	-
Total Revenues	\$ 91,631	\$ 91,631	\$ 287,417	\$ 195,786	\$ 121,565	\$ 121,565	\$ 121,149	\$ (416)	\$ 8,950	\$ 8,950	\$ 8,950	\$ -
EXPENDITURES:												
Salaries	\$ 76,898	\$ 74,898	\$ 174,799	\$ (99,901)	\$ 98,275	\$ 98,275	\$ 98,275	\$ -	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Employee benefits	2,299	3,274	8,100	(4,826)	7,136	7,136	7,518	(382)	383	383	383	-
Purchased services	12,034	13,059	24,720	(11,661)	13,977	13,977	12,931	1,046	3,067	3,067	3,067	-
Supplies and materials	400	400	45,708	(45,308)	2,177	2,177	2,425	(248)	500	500	500	-
Capital outlay	-	-	13,504	(13,504)	-	-	-	-	-	-	-	-
On-behalf payments	-	-	15,530	(15,530)	-	-	-	-	-	-	-	-
Total Expenditures	\$ 91,631	\$ 91,631	\$ 282,361	\$ (190,730)	\$ 121,565	\$ 121,565	\$ 121,149	\$ 416	\$ 8,950	\$ 8,950	\$ 8,950	\$ -
NET CHANGE IN FUND BALANCES	\$ -	\$ -	\$ 5,056	\$ 5,056	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES, BEGINNING OF YEAR	-	-	108,037	108,037	-	-	-	-	-	-	11	11
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ 113,093	\$ 113,093	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11	\$ 11

NOTE: The budget amounts for Regional Safe Schools reflect only the amounts pertaining to the Regional Safe Schools Grant. The actual amounts reflect grant funds as well as other federal, state, and local monies which are not subject to grant budget requirements.

(Continued)

See accompanying Independent Auditors' Report.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 BUDGETARY COMPARISON SCHEDULES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2009

	Western Illinois Investment Grant			
	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	40,500	40,500	40,500	-
On-behalf payments	-	-	-	-
Total Revenues	<u>\$ 40,500</u>	<u>\$ 40,500</u>	<u>\$ 40,500</u>	<u>\$ -</u>
EXPENDITURES:				
Salaries	\$ 37,607	\$ 37,607	37,607	\$ -
Employee benefits	2,578	2,578	2,837	(59)
Purchased services	293	293	232	61
Supplies and materials	122	122	124	(2)
Capital outlay	-	-	-	-
On-behalf payments	-	-	-	-
Total Expenditures	<u>\$ 40,500</u>	<u>\$ 40,500</u>	<u>\$ 40,500</u>	<u>\$ -</u>
NET CHANGE IN FUND BALANCES	\$ -	\$ -	\$ -	\$ -
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Concluded)

See accompanying Independent Auditors' Report.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2009

<u>ASSETS</u>	<u>G.E.D. Fund</u>	<u>Bus Driver Fund</u>	<u>KCSAP Fund</u>	<u>ROE #33 Fund</u>	<u>Supervisory Fund</u>	<u>Workshops Fund</u>	<u>Workforce Investments Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 201	\$ 1,009	\$ 940	\$ -	\$ 149	\$ -	\$ -	\$ 2,299
Due From Other Governmental Units	530	-	-	1,454	-	-	-	1,984
Accounts Receivable	-	76	-	-	-	-	-	76
Total Assets	\$ 731	\$ 1,085	\$ 940	\$ 1,454	\$ 149	\$ -	\$ -	\$ 4,359
<u>LIABILITIES</u>								
Overdrafts	\$ -	\$ -	\$ -	\$ 1,236	\$ -	\$ -	\$ -	\$ 1,236
Accounts payable	-	972	-	-	-	-	-	972
Total Liabilities	\$ -	\$ 972	\$ -	\$ 1,236	\$ -	\$ -	\$ -	\$ 2,208
<u>FUND BALANCES</u>								
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	731	113	940	218	149	-	-	2,151
Total Fund Balance	\$ 731	\$ 113	\$ 940	\$ 218	\$ 149	\$ -	\$ -	\$ 2,151
Total Liabilities and Fund Balances	\$ 731	\$ 1,085	\$ 940	\$ 1,454	\$ 149	\$ -	\$ -	\$ 4,359

See accompanying Independent Auditors' Report.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>G.E.D. Fund</u>	<u>Bus Driver Fund</u>	<u>KCSAP Fund</u>	<u>ROE #33 Fund</u>	<u>Supervisory Fund</u>	<u>Workshops Fund</u>	<u>Workforce Investments Fund</u>	<u>Total</u>
REVENUES:								
Local sources	\$ 6,710	\$ 636	\$ 2,905	\$ -	\$ -	\$ 10,580	\$ -	\$ 20,831
State sources	1,265	834	-	12,118	1,000	-	-	15,217
Federal sources	-	-	-	-	-	-	5,000	5,000
Total Revenues	<u>\$ 7,975</u>	<u>\$ 1,470</u>	<u>\$ 2,905</u>	<u>\$ 12,118</u>	<u>\$ 1,000</u>	<u>\$ 10,580</u>	<u>\$ 5,000</u>	<u>\$ 41,048</u>
EXPENDITURES:								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,500	\$ 4,500
Employee benefits	-	-	-	-	-	-	269	269
Purchased services	3,582	1,835	1,492	11,314	325	10,580	231	29,359
Supplies and materials	2,348	95	740	804	993	-	-	4,980
Total Expenditures	<u>\$ 5,930</u>	<u>\$ 1,930</u>	<u>\$ 2,232</u>	<u>\$ 12,118</u>	<u>\$ 1,318</u>	<u>\$ 10,580</u>	<u>\$ 5,000</u>	<u>\$ 39,108</u>
NET CHANGE IN FUND BALANCES	\$ 2,045	\$ (460)	\$ 673	\$ -	\$ (318)	\$ -	\$ -	\$ 1,940
FUND BALANCES, BEGINNING OF YEAR	(1,314)	573	267	218	467	-	-	211
FUND BALANCES, END OF YEAR	<u>\$ 731</u>	<u>\$ 113</u>	<u>\$ 940</u>	<u>\$ 218</u>	<u>\$ 149</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,151</u>

See accompanying Independent Auditors' Report.