

STATE OF ILLINOIS
KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

FINANCIAL AUDIT

For the Year Ended June 30, 2012

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

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

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REGIONAL OFFICE OF EDUCATION #33

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KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

OFFICIALS

Regional Superintendent
(current and during audit period)

Ms. Bonnie L. Harris

Assistant Regional Superintendent
(current and during audit period)

Ms. Jill Colley

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

AUDITOR'S REPORTS

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	2	1
Repeated audit findings	1	1
Prior recommendations implemented or not repeated	0	1

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

SUMMARY OF FINDINGS AND RESPONSES

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<u>Findings (Government Auditing Standards)</u>			
12-1	10	Controls Over Financial Statement Preparation	Material Weakness
12-2	12	Failure to Fully Insure and Collateralize Cash Balances	Significant Deficiency

Prior Audit Findings Not Repeated (Government Auditing Standards)

None

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
FINANCIAL REPORT SUMMARY - CONTINUED

EXIT CONFERENCE

Knox County Regional Office of Education #33 waived having an exit conference in correspondence received February 12, 2013. The responses to the recommendations were provided by ROE management in correspondence received December 14, 2012.

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 Sulaski and Webb, CPAs.

Based on their audit, the auditors expressed an unqualified opinion on the Knox County Regional Office of Education #33's basic financial statements.



CERTIFIED PUBLIC ACCOUNTANTS

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, 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, 2012, 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, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Knox County Regional Office of Education #33, as of June 30, 2012, 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 May 17, 2013 on our consideration of the 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 16 through 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the

methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 financial statements. The combining and individual non-major fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and budgetary comparison schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.

Sulaski & Webb

Sulaski and Webb
Certified Public Accountants

May 17, 2013

Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards*

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, 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, 2012, which collectively comprise the Knox County Regional Office of Education #33's basic financial statements and have issued our report thereon dated May 17, 2013. 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

Management of the Knox County Regional Office of Education #33 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 the Knox County Regional Office of Education #33's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 Findings and Responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 a 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 deficiency described in finding 12-1 in the accompanying Schedule of Findings and Responses to be a material weakness.

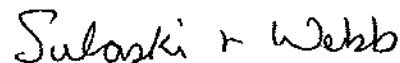
A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in finding 12-2 in the accompanying Schedule of Findings and Responses to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Knox County Regional Office of Education #33's responses and, accordingly, we express no opinion on the responses.

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 entity, 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.



Sulaski and Webb
Certified Public Accountants

May 17, 2013

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2012

Section I – Summary of the Auditor’s Results

Financial Statements

- (1) An unqualified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- (2) One material weakness and one significant deficiency disclosed during the audit of the financial statements are reported in the *Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*.
- (3) No instances of noncompliance material to the financial statements were disclosed during the audit.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2012

Section II – Financial Statement Findings

Finding No. 12-1
Repeated from 11-1, 10-1,
09-01, 08-1 and 07-1

Controls Over Financial Statement Preparation

Criteria/Specific Requirement:

The Knox County Regional Office of Education #33 (ROE) is required to maintain a system of controls over the preparation of financial statements, including disclosures, in accordance with generally accepted accounting principles (GAAP). The ROE 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 ROE maintains its accounting records on the cash basis of accounting. While the ROE 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 ROE's accounting records, noted the following:

- The ROE did not maintain adequate controls over the financial reporting process and adjustments were required to present financial statements in accordance with generally accepted accounting principles.
- The ROE did not maintain complete records of accounts receivable, accounts payable or deferred revenue.

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 ROE officials, they did not have adequate funding to hire and/or train their accounting personnel in order to maintain a system of internal control over the preparation of financial statements in accordance with GAAP.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2012

Section II – Financial Statement Findings - Continued

Finding No. 12-1
Repeated from 11-1, 10-1,
09-1, 08-1 and 07-1

Controls Over Financial Statement Preparation - Continued

Auditor's Recommendation:

As part of its internal control over the preparation of 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 Knox County Regional Office of Education #33 has limited funds to hire additional personnel to perform all of the procedures necessary to insure that the financial statements including disclosures are complete and accurate. This office will continue to try to employ someone who can implement a review procedure to ensure that the financial statements and disclosures are complete and accurate.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2012

Section II – Financial Statement Findings - Continued

Finding No. 12-2

Failure to Fully Insure and Collateralize Cash Balances

Criteria/Specific Requirement:

The Public Funds Deposit Act (30 ILCS 225/1) gives the Knox County Regional Office of Education #33 (ROE) the authorization to request financial institutions to pledge collateral for deposits in excess of the federally insured limit. In addition, prudent business practice requires that all cash and investments held by financial institutions for the ROE be adequately covered by depository insurance or collateral.

Condition:

As of June 30, 2012, the ROE had two cash accounts with bank balances totaling \$361,137 at one financial institution. The Federal Deposit Insurance Corporation (FDIC) covers up to a maximum of \$250,000. The ROE did not have depository insurance or collateral for the remaining \$111,137.

Effect:

Failure to fully insure and collateralize the full amount of cash and investment balances may result in monetary losses to the ROE in the event of a bank failure.

Cause:

According to ROE officials, the unsecured deposits were an oversight. The account that caused the overage was new for the fiscal year ended June 30, 2012. Due to the timing of the last receipt into the account, the monies had not yet been disbursed, causing the uninsured amount at June 30, 2012.

Auditor's Recommendation:

The Knox County Regional Office of Education #33 should monitor the bank balances on all accounts and work with the financial institution to provide collateral or enter into an agreement with the financial institution to have the cash balances monitored for adequate collateral periodically and adjusted as necessary.

Management's Response:

This was an oversight on the part of management. After the Knox County Regional Office of Education #33 was notified of this issue, we immediately contacted the bank and now have an agreement with the financial institution to ensure that the cash balances are monitored for adequate collateral periodically and adjusted when necessary.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

CORRECTIVE ACTION PLAN FOR
CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2012

Corrective Action Plan

Finding No. 12-1

Condition: The Knox County Regional Office of Education #33 does not have sufficient internal controls over the financial reporting process. The ROE maintains its accounting records on the cash basis of accounting. While the ROE 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 ROE's accounting records, noted the following:

- The ROE did not maintain adequate controls over the financial reporting process and adjustments were required to present financial statements in accordance with generally accepted accounting principles.
- The ROE did not maintain complete records of accounts receivable, accounts payable or deferred revenue.

Plan: The Knox County Regional Office of Education #33 has limited funds to hire additional personnel to perform all of the procedures necessary to insure that the financial statements including disclosures are complete and accurate. This office will continue to try to employ someone who can implement a review procedure to ensure that the financial statements and disclosures are complete and accurate.

Completion Date: As soon as possible

Contact Person: Bonnie L. Harris, Regional Superintendent

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

CORRECTIVE ACTION PLAN FOR
CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2012

Corrective Action Plan

Finding No. 12-2

Condition: As of June 30, 2012, the ROE had two cash accounts with bank balances totaling \$361,137 at one financial institution. The Federal Deposit Insurance Corporation (FDIC) covers up to a maximum of \$250,000. The ROE did not have depository insurance or collateral for the remaining \$111,137.

Plan: This was an oversight on the part of management. After the Knox County Regional Office of Education #33 was notified of this issue, we immediately contacted the bank and now have an agreement with the financial institution to ensure that the cash balances are monitored for adequate collateral periodically and adjusted when necessary.

Completion Date: As soon as possible

Contact Person: Bonnie L. Harris, Regional Superintendent

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2012

<u>Finding Number</u>	<u>Prior Finding</u>	<u>Status</u>
11-1	The ROE did not have sufficient internal controls over the financial reporting process.	Repeated as Finding 12-1.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

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, 2012. 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 2012 enrollment in these districts was just under 8,000.

Financial Highlights

- Total net assets decreased by \$38,891, which represents a 31.7% decrease from fiscal year 2011.
- General revenues account for \$368,126 in revenue, or 51.6% of all revenues. Program specific revenues in the form of grants and contributions accounted for \$345,244 or 48.4% of total revenues.
- The ROE had \$752,261 in expenses.
- Capital assets, prior to depreciation, remained the same at \$77,414.
- 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.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

Overview of Financial Statements (continued)

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. The Knox County ROE has two kinds of funds: governmental funds and fiduciary 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.

Fiduciary funds

Fiduciary funds are used to account for assets held by the ROE in a custodial nature and do not involve measurement of results of operations.

The Statement of Fiduciary Net Assets can be found on page 28 of this report.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

Overview of Financial Statements (continued)

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 29-46 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 \$83,944 as of June 30, 2012. The majority of this (57.5% of total assets) is cash and cash equivalents.

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, 2012 and 2011.

	2012	2011
Assets		
Current assets	\$ 111,230	\$ 159,680
Capital assets, net	8,779	13,799
Total assets	\$ 120,009	\$ 173,479
Liabilities		
Current liabilities	\$ 36,065	\$ 50,644
Total liabilities	\$ 36,065	\$ 50,644
Net assets:		
Invested in capital assets, net of related debt	\$ 8,779	\$ 13,799
Restricted for educational purposes	57,220	57,504
Unrestricted	17,945	51,532
Total net assets	\$ 83,944	\$ 122,835

The net assets related to Regional Safe Schools, Truants Alternative Education, McKinney Education for Homeless Children, and ROE/ISC are restricted for educational purposes by grant agreements or contracts. General Education Development, Bus Driver Training, Supervisory, and Institute are restricted by Illinois Statute.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

Changes in net assets

The ROE's total revenues for the fiscal year ended June 30, 2012 were \$713,370. The total cost of all programs and services was \$752,261. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2012 and 2011.

Revenues:	2012	2011
Program revenues		
Operating grants and contributions	\$ 345,244	\$ 468,233
General revenues		
Local sources	39,804	27,765
State sources	834	7,834
Interest	400	7
On-behalf payments	327,088	284,595
Total revenues	713,370	788,434
 Expenses:		
Instructional services		
Salaries & benefits	300,548	359,092
Purchased services	93,219	102,626
Supplies and materials	11,991	16,728
Depreciation	5,020	5,434
Payments to other governmental units	14,395	26,417
Administrative Expenses		
On-behalf payments	327,088	284,595
Total expenses	752,261	794,892
Increase (decrease) in net assets	(38,891)	(6,458)
Net assets, beginning	122,835	130,622
Prior period adjustment	-	(1,329)
Net assets, ending	\$ 83,944	\$ 122,835

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

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.

	2012		2011	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instructional	\$ 425,173	\$ (79,929)	\$ 510,297	\$ (36,238)
Administrative services	327,088	(327,088)	284,595	(290,421)
Total expenses	\$ 752,261	\$ (407,017)	\$ 794,892	\$ (326,659)

The net cost of governmental activities, \$407,017, was financed by general revenue, which is primarily on-behalf payments, \$327,088, and local, \$39,804, 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 \$75,165, a decrease of \$19,248.

Capital Assets

As of June 30, 2012, the Knox County Regional Office of Education #33's total capital assets were \$77,414, comprised mainly of school and office furniture and equipment. There were no additions or disposals of capital assets from the previous year. Total accumulated depreciation as of June 30, 2012 was \$68,635 and total depreciation expense for the year was \$5,020, resulting in total net capital assets of \$8,779.

Additional information of the ROE's capital assets can be found in Note 6 on page 41 of this report.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

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 has been very supportive financially. They have met the needs of this office.
- The McKinney-Vento Homeless Assistance Grant has decreased.
- The ROE continues to upgrade and maintain all office equipment.
- Although funds have been decreased by more than 30% for the Safe School, the ROE strives to maintain all equipment at the Safe School. And we certainly strive to maintain the same high level of service to the students.
- Due to the decrease in funding of the TAOEP Grant, we currently have one director and one outreach worker in the county. This has made it very hard to continue at the same high level of service.
- The lack of timely issuing of grant money from the three programs (McKinney-Vento, TAOEP, and RSSP) make it a hardship to continue to provide the same level of service to the school systems that we have been able to provide in past years.

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, 2012

	Primary Government Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 69,028
Due from other governmental units and agencies	42,202
	111,230
 Total Current Assets	 111,230
Noncurrent Assets:	
Capital assets, net of depreciation	8,779
	8,779
 Total Noncurrent Assets	 8,779
 TOTAL ASSETS	 120,009
LIABILITIES	
Current Liabilities:	
Accrued payroll	23,339
Deferred revenue	12,726
	36,065
 TOTAL LIABILITIES	 36,065
NET ASSETS	
Invested in capital assets, net of related debt	8,779
Unrestricted	17,945
Restricted for educational purposes	57,220
	83,944
 TOTAL NET ASSETS	 \$ 83,944

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, 2012

FUNCTIONS/PROGRAMS	Expenses	Program Revenues Operating Grants and Contributions	Net (Expenses)/Revenues and Changes in Net Assets Primary Government Governmental Activities
Primary government:			
Governmental Activities:			
Instructional Services:			
Salaries and benefits	\$ 300,548	\$ 269,730	\$ (30,818)
Purchased services	93,219	69,923	(23,296)
Supplies and materials	11,991	4,091	(7,900)
Payments to other governments	14,395	1,500	(12,895)
Depreciation	5,020	-	(5,020)
Administrative:			
On-behalf payments	327,088	-	(327,088)
Total Governmental Activities	\$ 752,261	\$ 345,244	\$ (407,017)
General revenues:			
Local sources			39,804
State sources			834
Interest			400
On-behalf payments			327,088
Total general revenues			368,126
Change in net assets			(38,891)
Net assets - beginning			122,835
Net assets - ending			\$ 83,944

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, 2012

	General Fund	Education Fund	Institute Fund	Other Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 16,329	\$ 229	\$ 42,859	\$ 9,611	\$ 69,028
Due from other funds	9,673	-	-	-	9,673
Due from other governmental units and agencies	530	41,672	-	-	42,202
TOTAL ASSETS	\$ 26,532	\$ 41,901	\$ 42,859	\$ 9,611	\$ 120,903
LIABILITIES					
Accrued payroll	\$ 8,057	\$ 15,282	\$ -	\$ -	\$ 23,339
Due to other funds	530	9,143	-	-	9,673
Deferred revenue	-	-	12,726	-	12,726
Total liabilities	8,587	24,425	12,726	-	45,738
FUND BALANCES					
Restricted	-	17,476	30,133	9,611	57,220
Assigned	4,575	-	-	-	4,575
Unassigned	13,370	-	-	-	13,370
Total fund balances	17,945	17,476	30,133	9,611	75,165
TOTAL LIABILITIES AND FUND BALANCES	\$ 26,532	\$ 41,901	\$ 42,859	\$ 9,611	\$ 120,903

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, 2012

Total fund balances - governmental funds	\$ 75,165
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.	8,779
Net assets of governmental activities	<u>\$ 83,944</u>

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, 2012

	General Fund	Education Fund	Institute Fund	Other Non-Major Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 15,332	\$ 104	\$ 16,287	\$ 8,081	\$ 39,804
State sources	129,156	197,788	-	834	327,778
Federal sources	-	32,923	-	-	32,923
Interest	394	-	6	-	400
On-behalf payments	327,088	-	-	-	327,088
Total revenues	471,970	230,815	16,293	8,915	727,993
Expenditures:					
Instructional services:					
Salaries and benefits	141,344	159,204	-	-	300,548
Purchased services	30,139	56,484	2,881	3,715	93,219
Supplies and materials	5,890	2,247	219	3,635	11,991
Payments to other governments	895	1,500	12,000	-	14,395
On-behalf payments	327,088	-	-	-	327,088
Total expenditures	505,356	219,435	15,100	7,350	747,241
Excess (deficiency) of revenues over expenditures	(33,386)	11,380	1,193	1,565	(19,248)
Other financing sources (uses):					
Transfers in	-	201	-	-	201
Transfers out	(201)	-	-	-	(201)
Total other financing sources and uses	(201)	201	-	-	-
Net change in fund balances	(33,587)	11,581	1,193	1,565	(19,248)
Fund balances - beginning of year	51,532	5,895	28,940	8,046	94,413
Fund balances - end of year	<u>\$ 17,945</u>	<u>\$ 17,476</u>	<u>\$ 30,133</u>	<u>\$ 9,611</u>	<u>\$ 75,165</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, 2012

Net change in fund balances	\$	(19,248)
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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	-	
Depreciation expense	<u>(5,020)</u>	(5,020)

Prior year revenues that were deferred in the governmental funds because they were not considered "available" have now been recognized as revenue in the governmental funds.		(14,623)
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Changes in net assets of governmental activities	\$	<u><u>(38,891)</u></u>
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The notes to the financial statements are an integral part of this statement.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 362,095</u>
Total Assets	<u><u>\$ 362,095</u></u>
LIABILITIES	
Due to others	<u>\$ 362,095</u>
Total Liabilities	<u><u>\$ 362,095</u></u>

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

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Knox County Regional Office of Education #33 (ROE) conform to accounting principles generally accepted in the United States of America for governmental entities. The following is a summary of the significant accounting policies.

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 responsible for supervision and control of school districts within Knox County. This includes all aspects of supervision, reports and financial accounting of districts which are considered by state law to be in the Service Region. In addition, 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; visitation of public schools; direction of teachers and school officers; to serve as the official advisor and assistant of school officers and teachers, to conduct teachers institutes as well as to aid and encourage the formation of other teachers meetings and assist in their management; evaluate the schools in Knox County; 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 money 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 Knox County 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 or permitted by law.

The Regional Superintendent is responsible for inspection and approval or rejection of school treasurer's 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 Knox County, 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 FINANCIAL STATEMENTS
June 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the period ended June 30, 2012, Knox County Regional Office of Education #33 applied for, received, and administered numerous state and federal programs and grants in assistance and support of the educational activities of the school districts in Knox County. Such activities are reported as a single special revenue fund (Education Fund).

REPORTING ENTITY

The ROE's reporting entity includes all related organizations for which it exercises oversight responsibility.

The ROE has developed criteria to determine whether outside agencies with activities which benefit the citizens of the region, 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 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 of the entity.

BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government.

The Statement of Net Assets presents the Knox County Regional Office of Education #33 nonfiduciary assets and liabilities, with the difference reported as net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function 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 operational or capital requirements of a particular program. Other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

The ROE's government-wide financial statements consist only of governmental activities.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Fund Financial Statements – The accounts of the ROE are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprised of its assets, liabilities, fund balance, revenues, and expenditures. The ROE’s resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the ROE are financed. The acquisition, use, and balances of the ROE’s expendable financial resources and the related current liabilities are accounted for through Governmental Funds. The ROE’s major Governmental Funds include the following:

General Fund – The General Fund is used to account for resources traditionally associated with government which are not required, legally or by sound financial management, to be accounted for and reported in another fund. The General Fund accounts for the ROE’s on-behalf payments from the State of Illinois and Knox County to pay the salary and benefits of the Regional Superintendent, Assistant Regional Superintendent and clerical staff. The General Fund is always considered a major fund. General funds include the following:

ROE #33 Fund – Used to account for the on-behalf payments from the State of Illinois and Knox County.

General State Aid – To account for monies received for and in payment of expenditures for the general operations of the Regional Alternative School.

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.

Drop Out Summit – To provide funds to identify students in danger of dropping out and provide services to convince them to stay in school.

Destination College – To provide funds for projects which expand activities and resources that convey to elementary, middle, and secondary school children the benefits of post-secondary education and ways to prepare for and succeed in college.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Consolidation Hearing – To provide funds for seeking the submission of a proposition during the November 6, 2012 general election, authorizing the formation of a combined unit school district comprised of the entire territory of Avon School District and the entire territory of Abingdon School District.

Land Detachment – To provide funds for the request for the detachment of certain real estate located within one community unit school district and the attachment of that real estate to another community unit school district.

Major Special Revenue Funds – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects. Major special revenue funds include the following:

Education Fund – The Education Fund is used to account for and report the proceeds of specific revenue sources that are restricted by grant agreements or contracts to expenditures for specified purposes supporting education enhancement programs as 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.

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 Grant – To assist economically disadvantaged youth in finding the appropriate services needed to remove barriers to successful participation in employment and training activities which will result in employment that leads to self-sufficiency.

ROE/ISC – Monies are expended to conduct professional development programs.

ARRA – General State Aid – To account for ARRA grant monies received for and in payment of expenditures for the general operations of the Regional Alternative School.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Title II Teacher Quality Leadership – To account for grant monies received for and in payment of expenditures for activities that aim to increase student academic achievement through strategies such as improving teacher and principal quality; increasing the number of highly qualified teachers, principals, and assistant principals in the schools; and holding local educational agencies and schools accountable for improvements in student academic achievement.

ARRA – Education Jobs – To account for grant monies received for and in payment of expenditures for activities to save or create education jobs during the 2010-2011 school year.

Institute Fund – To account for fees collected for the registration and renewal of teaching certificates. These fees are used to defray administrative expenses incidental to teachers' institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers or for the purpose of defraying the expense of any general or special meeting of teachers or school personnel. All funds generated remain restricted until expended only on the aforementioned activities.

Non-Major Special Revenue Funds – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects. Non-major special revenue funds include the following:

General Education Development (GED) – To account for the revenues and expenditures associated with the processing of applications for the high school level GED test and the issuance of diplomas upon successful completion of the examination.

Bus Driver Training – To account for the stewardship of the assets held in trust in connection with the Bus Driver Training Program.

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

Fiduciary Fund Types

Agency Funds are used to account for assets held by the ROE in a trustee capacity or as an agent for individuals and private or governmental organizations. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The ROE has the following Agency Funds:

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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

Knox County Sales Tax – To account for a retailers' occupation tax and a service occupation tax at a rate of 1% to be used exclusively for school facility purposes. Funds are passed through the ROE to the local school districts.

EQUITY CLASSIFICATIONS

Governmental Fund Balances

Fund Balance is the difference between assets and liabilities in a Governmental Fund. The following types of fund balances may be presented in the Governmental Funds Balance Sheet and Governmental Funds Combining Schedule of Accounts:

Nonspendable Fund Balance – The portion of a Governmental Fund's net assets that are not available to be spent, either short term or long term, in either form or through legal restrictions. There are no accounts presenting a nonspendable fund balance.

Restricted Fund Balance – The portion of a Governmental Fund's net assets that are subject to external enforceable legal restrictions. The following accounts fund balances are restricted by grant agreements or contracts: Regional Safe Schools, Truants Alternative Education, McKinney Education for Homeless Children, and ROE/ISC. The following funds are restricted by Illinois Statute: General Education Development, Bus Driver Training, Supervisory, and Institute.

Committed Fund Balance – The portion of a Governmental Fund's net assets with self-imposed constraints or limitations that have been placed at the highest level of decision making. There are no accounts presenting a committed fund balance.

Assigned Fund Balance – The portion of a Governmental Fund's net assets to denote an intended use of resources. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The following accounts comprise assigned fund balance: Workshops and Drop Out Summit.

Unassigned Fund Balance – Available expendable financial resources in a governmental fund that are not designated for a specific purpose. The unassigned fund balance consists of General State Aid.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

EQUITY CLASSIFICATIONS (Continued)

Net Assets

Equity is classified as net assets and displayed in three components:

Invested in capital assets – Consists of capital assets, net of accumulated depreciation.

Restricted net assets – Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets.”

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accounting records are maintained on the cash basis of accounting. Under this method, revenue is recorded when collected and expenditures are recorded when disbursements are made. The financial statements of the Knox County Regional Office of Education #33 are prepared by making memorandum adjusting entries to the cash basis financial records.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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. For this purpose, the ROE considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues received more than sixty days after the end of the current period are deferred in the governmental fund financial statements, but are recognized as current revenues in the government-wide financial statements. Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Under the terms of grant agreements, Knox County Regional Office of Education #33 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 sources available to finance the program. It is the Knox County Regional Office of Education #33's policy to first apply restricted funds, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned if any.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, expenditures, gains, losses, and other changes in fund balance during the reporting period. Actual results could differ from those estimates.

BUDGETS

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. The Regional Office of Education Funds are controlled by the Regional Superintendent of Education and the State of Illinois. Certain programs administered by the ROE are subject to budget approval by the State of Illinois. The actual to budget comparisons are prepared on the modified accrual basis of accounting. The following accounts/funds prepare budgets:

Educational Grants:

- Regional Safe Schools
- Truants Alternative Education
- McKinney Education for Homeless Children
- ROE/ISC

TEACHER CERTIFICATION

Teacher certification revenues are recognized over a five year period when applicable.

REVENUES – EXCHANGE AND NON-EXCHANGE TRANSACTIONS

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUES – EXCHANGE AND NON-EXCHANGE TRANSACTIONS (Continued)

Non-exchange transactions, in which the ROE receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the ROE must provide local resources to be used for specific purpose, and expenditure requirements, in which the resources are provided to the ROE on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

CAPITAL ASSETS

General capital assets generally result from expenditures in the governmental funds. These assets, which include equipment, are reported in the government-wide Statement of Net Assets. Purchases of equipment are recorded as capital outlay expenditures of the various funds. All capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. Capital assets are defined as assets with a cost of \$500 or more. 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 REVENUES

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.

INVESTMENTS AND CASH ACCOUNTS

State regulations require that the ROE deposit funds under its control into accounts insured by the federal government, secured by substantial collateral or into pooled investment trusts. All funds not needed for immediate disbursements are maintained in interest bearing accounts. Statutes authorize the ROE to make deposits or invest in obligation of states and their political subdivisions, savings accounts, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Public Treasurer's Investment Pool.

REVENUES FROM FEDERAL AND STATE GRANTS

Revenues from federal and state grant awards are recorded net of the amount due to the State for the unused portion of the grant or the amount carried over to the following fiscal year project. Amounts due to the state or carried over to the following year project are recorded as liabilities.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DUE FROM OTHER GOVERNMENTAL UNITS AND AGENCIES

Due from other governmental units and agencies is reported at gross with no allowance for uncollectibles since management feels the amount of any uncollectible accounts is immaterial.

INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds and are classified as “due to and from other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

NEW ACCOUNTING STANDARDS

In fiscal year 2012, the ROE implemented Governmental Accounting Standards Board (GASB) Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53*. The ROE implemented these standards during the current year; however, they had no impact on the financial statements.

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 Administrative 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.

2. CASH

The *Illinois Compiled Statutes* authorize the ROE to make deposits and invest in U.S. Government, State of Illinois, and municipal securities; certificates of deposit or time savings deposits insured by the FDIC; mortgage notes, bonds, or debentures issued by the Federal Housing Administration; bonds and other obligations of the Federal National Mortgage Association; commercial paper rated within the three highest classifications by at least two standard rating services; credit union shares; and the Illinois Public Treasurer’s Investment Pool.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

CASH (Continued)

At June 30, 2012, the carrying amount of the ROE's various bank deposits totaled \$431,123 and the bank balances totaled \$435,720. Included in the bank balance is \$9,286 deposited in the Illinois Funds. The Illinois Funds portfolio includes: certificates of deposit issued by Illinois financial institutions, repurchase agreements backed by direct treasury obligations from primary government securities dealers, direct treasury obligations of the U.S. Government, and money market funds backed by full faith and credit obligations of the U.S. Government. The ROE owns no identifiable investment securities in the Illinois Funds; therefore, credit risk cannot be assessed for the Illinois Funds. As of June 30, 2012, \$324,583 of the deposits made by the ROE was covered by the Federal Depository Insurance Corporation (FDIC). The remaining \$111,137 was uninsured and uncollateralized.

3. RECEIVABLES/PAYABLES

Receivables for the Knox County ROE #33 at June 30, 2012, are as follows:

	<u>Due from Other Governmental Units and Agencies</u>	<u>Other</u>	<u>Total</u>
Governmental activities:			
General	\$ 530	\$ -	\$ 530
Education	<u>41,672</u>	<u>-</u>	<u>41,672</u>
Total governmental activities	<u>\$ 42,202</u>	<u>\$ -</u>	<u>\$ 42,202</u>

Payables for the Knox County ROE #33 at June 30, 2012, are as follows:

	<u>Due to Other Governmental Units</u>	<u>Other</u>	<u>Total</u>
Governmental activities:			
General	\$ -	\$ 8,057	\$ 8,057
Education	<u>-</u>	<u>15,282</u>	<u>15,282</u>
Total governmental activities	<u>\$ -</u>	<u>\$ 23,339</u>	<u>\$ 23,339</u>

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

4. DUE TO/FROM OTHER GOVERNMENTS

The Knox County Regional Office of Education #33's governmental activities have amounts due to and due from various other governmental units which consist of the following:

Due From Other Governmental Units and Agencies:

Illinois State Board of Education	\$ 36,435
Other Governmental Agency	<u>5,767</u>
	<u>\$ 42,202</u>

Due To Other Governmental Units: \$ 0

In addition, the Knox County ROE #33's agency funds had the following due to others:

Knox County	\$ 1,240
Local School Districts	<u>360,855</u>
	<u>\$ 362,095</u>

5. INTERFUND TRANSACTIONS

DUE TO/FROM OTHER FUNDS

The Knox County ROE #33 had the following due to/from other fund balances for the year ended June 30, 2012 due to the State of Illinois being slow in paying funds for a couple of ROE #33's programs:

	Due from	Due to
General Fund:		
General State Aid	\$ 9,673	\$ -
Consolidation Hearing	-	530
Education Fund:		
Regional Safe Schools	-	569
Truants Alternative Education	-	8,465
Western Illinois Investment Grant	-	<u>109</u>
Total	<u>\$ 9,673</u>	<u>\$ 9,673</u>

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

INTERFUND TRANSACTIONS (Continued)

INTERFUND TRANSFERS

During the year ended June 30, 2012, the ROE made transfers between funds to properly close an inactive fund. The amounts transferred between accounts are shown as transfers in the Statement of Revenues, Expenditures, and Changes in Fund Balance. The detail of interfund transfers for the year ended June 30, 2012 is as follows:

	Transfers in	Transfers out
General Fund:		
General State Aid	\$ -	\$ 201
Education Fund:		
ARRA - General State Aid	201	-
Total	\$ 201	\$ 201

6. CAPITAL ASSETS

Capital asset activity during the fiscal year ended June 30, 2012 was as follows:

	Balance 7/1/2011	Additions	Disposals	Balance 6/30/2012
Equipment	\$ 77,414	\$ -	\$ -	\$ 77,414
Less accumulated depreciation	(63,615)	(5,020)	-	(68,635)
Total	\$ 13,799	\$ (5,020)	\$ -	\$ 8,779

7. RETIREMENT PLANS

Teachers' Retirement System of the State of Illinois

The ROE (employer) 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.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

RETIREMENT PLANS (Continued)

Teachers' Retirement System of the State of Illinois (Continued)

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, 2012 was 9.4 percent of creditable earnings. The same contribution rate applies to members whose first contributing service is on or after January 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. 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, 2011 and 2010.

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

- On-behalf Contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the ROE. For the year ended June 30, 2012, State of Illinois contributions were based on 24.91 percent of creditable earnings not paid from federal funds, and the ROE recognized revenue and expenditures of \$72,280 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2011, and June 30, 2010, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 23.10 percent (\$59,639) and 23.38 percent (\$64,502), respectively.

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, 2012 were \$557. Contributions for the years ending June 30, 2011 and June 30, 2010, were \$517 and \$579, respectively.
- Federal and Special 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.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

RETIREMENT PLANS (Continued)

Teachers' Retirement System of the State of Illinois (Continued)

For the year ended June 30, 2012, the employer pension contribution was 24.91 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2011 and 2010, the employer contribution was 23.10 and 23.38 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2012, salaries totaling \$-0- were paid from federal and special trust funds that required employer contributions of \$-0-. For the years ended June 30, 2011 and June 30, 2010, required ROE contributions were \$-0- and \$-0-, respectively.

- Early Retirement Option (ERO). 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.

The maximum employer ERO contribution is 117.5 percent and applies when the member is age 55 at retirement.

For the year ended June 30, 2012, the ROE paid \$-0- to TRS for employer contributions under the ERO program. For the years ended June 30, 2011 and June 30, 2010, the ROE made no payments under the ERO.

- Salary Increases Over 6 Percent and Excess Sick Leave. 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, 2012, the ROE paid \$-0- to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2011 and June 30, 2010, the ROE paid \$-0- and \$-0- to TRS for employer contributions due on 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 rate reported by the granting employer during the four-year sick leave review period, and the TRS total normal cost rate (17.83 percent of salary during the year ended June 30, 2012).

For the year ended June 30, 2012, the ROE paid \$-0- to TRS for sick leave days granted in excess of the normal annual allotment. For the years ended June 30, 2011 and June 30, 2010, the ROE paid \$-0- and \$-0- in employer contributions granted for sick leave days, respectively.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

RETIREMENT PLANS (Continued)

Teachers' Retirement System of the State of Illinois (Continued)

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, 2011. The report for the year ended June 30, 2012, is expected to be available in late 2012.

The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, 2815 West Washington Street, P.O. Box 19253, Springfield, Illinois 62794-9253. The most current report is also available on the TRS Web site at <http://trs.illinois.gov>.

8. OTHER POSTEMPLOYMENT BENEFITS

Teacher Health Insurance Security Fund

The ROE (employer) participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants may participate in the state administered participating provider option plan or choose from several managed care options.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The Illinois Department of Healthcare and Family Services (HFS) and the Illinois Department of Central Management Services (CMS) administer the plan with the cooperation of TRS. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by CMS with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to the TRS who are not employees of the state make a contribution to THIS Fund.

The percentage of employer required contributions in the future will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

- On behalf contributions to THIS Fund. The State of Illinois makes employer retiree health insurance contributions on behalf of the ROE. State contributions are intended to match contributions to THIS Fund from active members which were 0.88 percent of pay during the year ended June 30, 2012. State of Illinois contributions were \$845, and the ROE recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2011 and June 30, 2010 were 0.88 percent and 0.84 percent of pay, respectively. State contributions on behalf of ROE employees were \$787 and \$839, respectively.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

OTHER POSTEMPLOYMENT BENEFITS (Continued)

Teacher Health Insurance Security Fund (Continued)

- Employer contributions to THIS Fund. The ROE also makes contributions to THIS Fund. The employer THIS Fund contribution was 0.66 percent during the years ended June 30, 2012 and June 30, 2011, and 0.63 percent during the year ended June 30, 2010. For the year ended June 30, 2012, the ROE paid \$634 to the THIS Fund. For the years ended June 30, 2011 and June 30, 2010, the ROE paid \$590 and \$629 to the THIS Fund, respectively, which was 100 percent of the required contribution.

The publicly available financial report of the THIS Fund may be obtained by writing to the Department of Healthcare and Family Services, 201 S. Grand Ave., Springfield, IL 62763-3838.

9. ON-BEHALF PAYMENTS AND RELATED PARTY TRANSACTIONS

The State of Illinois makes employer pension contributions and employer retiree health insurance contributions on behalf of the ROE. The salaries, fringe benefits, and TRS contributions of the Regional Superintendent and the Assistant Superintendents are paid by the State of Illinois. The following salary and benefit data for the Regional Superintendent and Assistant Regional Superintendents was calculated based on data provided by the Illinois State Board of Education.

TRS pension contributions	\$ 72,280
THIS contributions	845
Regional Superintendent – salary	100,128
Regional Superintendent – benefits (includes State paid insurance)	20,092
Assistant Regional Superintendent – salary	93,984
Assistant Regional Superintendent – benefits (includes State paid insurance)	<u>5,847</u>
Total	<u>\$ 293,176</u>

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

Salaries	\$ 24,234
Benefits	<u>9,678</u>
Total	<u>\$ 33,912</u>

The total of the on-behalf payments shown above, \$327,088, is reported as revenues and expenditures in the General Fund.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

10. OTHER DISCLOSURES

Accounting principles generally accepted in the United States of America require disclosure of certain information concerning individual funds (which are presented only in combination on the financial statements). Funds having deficit fund balances and funds which overextended budgets during the year are disclosed below.

- A. There were no funds/accounts with a deficit fund balance at June 30, 2012.
- B. The following funds had an excess of actual expenditures over budget for the year ended June 30, 2012.

Fund	Budget Amount	Expenditures	Unfavorable Variance
Regional Safe Schools	\$ 58,196	\$ 66,241	\$ 8,045
ROE/ISC	24,461	35,694	11,233

SUPPLEMENTAL INFORMATION

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2012

ASSETS	ROE #33 Fund	General State Aid	Workshops	Drop Out Summit
ASSETS				
Cash and cash equivalents	\$ -	\$ 11,754	\$ 9	\$ 4,566
Due from other funds	-	9,673	-	-
Due from other governmental units and agencies	-	-	-	-
TOTAL ASSETS	\$ -	\$ 21,427	\$ 9	\$ 4,566
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accrued payroll	\$ -	\$ 8,057	\$ -	\$ -
Due to other funds	-	-	-	-
Total Liabilities	-	8,057	-	-
FUND BALANCE				
Assigned	-	-	9	4,566
Unassigned	-	13,370	-	-
Total Fund Balance	-	13,370	9	4,566
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 21,427	\$ 9	\$ 4,566

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2012

ASSETS	Destination College	Consolidation Hearing	Land Detachment	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 16,329
Due from other funds	-	-	-	9,673
Due from other governmental units and agencies	-	530	-	530
TOTAL ASSETS	\$ -	\$ 530	\$ -	\$ 26,532
 LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accrued payroll	\$ -	\$ -	\$ -	\$ 8,057
Due to other funds	-	530	-	530
Total Liabilities	-	530	-	8,587
 FUND BALANCE				
Assigned	-	-	-	4,575
Unassigned	-	-	-	13,370
Total Fund Balance	-	-	-	17,945
 TOTAL LIABILITIES AND FUND BALANCE	 \$ -	 \$ 530	 \$ -	 \$ 26,532

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
For the Year Ended June 30, 2012

	ROE #33 Fund	General State Aid	Workshops	Drop Out Summit
REVENUES				
Local sources	\$ -	\$ 1,550	\$ 4,844	\$ 5,000
State sources	-	129,156	-	-
Interest	-	394	-	-
On-behalf payments	327,088	-	-	-
Total revenues	<u>327,088</u>	<u>131,100</u>	<u>4,844</u>	<u>5,000</u>
EXPENDITURES				
Salaries and benefits	-	141,257	87	-
Purchased services	-	23,798	3,459	883
Supplies and materials	-	3,527	424	-
Payments to other governments	-	-	895	-
On-behalf payments	327,088	-	-	-
Total expenditures	<u>327,088</u>	<u>168,582</u>	<u>4,865</u>	<u>883</u>
Excess (deficiency) of revenues over expenditures	-	(37,482)	(21)	4,117
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(201)	-	-
Total other financing sources and uses	<u>-</u>	<u>(201)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(37,683)	(21)	4,117
FUND BALANCE AT BEGINNING OF YEAR				
	<u>-</u>	<u>51,053</u>	<u>30</u>	<u>449</u>
FUND BALANCE AT END OF YEAR				
	<u>\$ -</u>	<u>\$ 13,370</u>	<u>\$ 9</u>	<u>\$ 4,566</u>

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
For the Year Ended June 30, 2012

	Destination College	Consolidation Hearing	Land Detachment	Total
REVENUES				
Local sources	\$ 1,908	\$ 530	\$ 1,500	\$ 15,332
State sources	-	-	-	129,156
Interest	-	-	-	394
On-behalf payments	-	-	-	327,088
	<hr/>			
Total revenues	1,908	530	1,500	471,970
<hr/>				
EXPENDITURES				
Salaries and benefits	-	-	-	141,344
Purchased services	-	530	1,469	30,139
Supplies and materials	1,908	-	31	5,890
Payments to other governments	-	-	-	895
On-behalf payments	-	-	-	327,088
	<hr/>			
Total expenditures	1,908	530	1,500	505,356
<hr/>				
Excess (deficiency) of revenues over expenditures	-	-	-	(33,386)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	-	(201)
	<hr/>			
Total other financing sources and uses	-	-	-	(201)
<hr/>				
Net change in fund balances	-	-	-	(33,587)
FUND BALANCE AT BEGINNING OF YEAR				
	-	-	-	51,532
<hr/>				
FUND BALANCE AT END OF YEAR				
	\$ -	\$ -	\$ -	\$ 17,945
<hr/> <hr/>				

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2012

ASSETS	Regional Safe Schools	Truants Alternative Education	McKinney Education for Homeless Children	Western Illinois Investment Grant
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 11	\$ -
Due from other governmental units and agencies	17,576	18,859	-	5,237
TOTAL ASSETS	\$ 17,576	\$ 18,859	\$ 11	\$ 5,237
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accrued payroll	\$ -	\$ 10,154	\$ -	\$ 5,128
Due to other funds	569	8,465	-	109
Total Liabilities	569	18,619	-	5,237
FUND BALANCE				
Restricted	17,007	240	11	-
Total Fund Balance	17,007	240	11	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 17,576	\$ 18,859	\$ 11	\$ 5,237

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2012

ASSETS	ROE/ISC	ARRA - General State Aid	Title II Teacher Quality Leadership	ARRA - Education Jobs	Total
ASSETS					
Cash and cash equivalents	\$ 218	\$ -	\$ -	\$ -	\$ 229
Due from other governmental units and agencies	-	-	-	-	41,672
TOTAL ASSETS	\$ 218	\$ -	\$ -	\$ -	\$ 41,901
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accrued payroll	\$ -	\$ -	\$ -	\$ -	\$ 15,282
Due to other funds	-	-	-	-	9,143
Total Liabilities	-	-	-	-	24,425
FUND BALANCE					
Restricted	218	-	-	-	17,476
Total Fund Balance	218	-	-	-	17,476
TOTAL LIABILITIES AND FUND BALANCE	\$ 218	\$ -	\$ -	\$ -	\$ 41,901

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, 2012

	Regional Safe Schools	Truants Alternative Education	McKinney Education for Homeless Children	Western Illinois Investment Grant
REVENUES				
Local sources	\$ 104	\$ -	\$ -	\$ -
State sources	64,512	103,071	-	-
Federal sources	10,160	-	8,117	14,462
Total revenues	74,776	103,071	8,117	14,462
EXPENDITURES				
Salaries and benefits	51,781	86,862	5,921	14,462
Purchased services	14,399	7,177	676	-
Supplies and materials	61	-	20	-
Payments to other governments	-	-	1,500	-
Total expenditures	66,241	94,039	8,117	14,462
Excess (deficiency) of revenues over expenditures	8,535	9,032	-	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	8,535	9,032	-	-
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	8,472	(8,792)	11	-
FUND BALANCE AT END OF YEAR	\$ 17,007	\$ 240	\$ 11	\$ -

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, 2012

	ROE/ISC	ARRA - General State Aid	Title II Teacher Quality Leadership	ARRA - Education Jobs	Total
REVENUES					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 104
State sources	30,205	-	-	-	197,788
Federal sources	-	-	-	184	32,923
Total revenues	30,205	-	-	184	230,815
EXPENDITURES					
Salaries and benefits	-	-	-	178	159,204
Purchased services	34,151	-	75	6	56,484
Supplies and materials	1,543	-	623	-	2,247
Payments to other governments	-	-	-	-	1,500
Total expenditures	35,694	-	698	184	219,435
Excess (deficiency) of revenues over expenditures	(5,489)	-	(698)	-	11,380
OTHER FINANCING SOURCES (USES):					
Transfers in	-	201	-	-	201
Total other financing sources and uses	-	201	-	-	201
Net change in fund balances	(5,489)	201	(698)	-	11,581
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR					
	5,707	(201)	698	-	5,895
FUND BALANCE AT END OF YEAR					
	\$ 218	\$ -	\$ -	\$ -	\$ 17,476

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
REGIONAL SAFE SCHOOLS
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Local sources	\$ -	\$ -	\$ 104	\$ 104
State sources	58,196	58,196	64,512	6,316
Federal sources	-	-	10,160	10,160
Total revenues	58,196	58,196	74,776	16,580
 EXPENDITURES				
Salaries and benefits	51,781	51,781	51,781	-
Purchased services	6,415	6,415	14,399	(7,984)
Supplies and materials	-	-	61	(61)
Total expenditures	58,196	58,196	66,241	(8,045)
Net change in fund balance	\$ -	\$ -	8,535	\$ 8,535
 FUND BALANCE AT BEGINNING OF YEAR				
			8,472	
 FUND BALANCE AT END OF YEAR				
			\$ 17,007	

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.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TRUANTS ALTERNATIVE EDUCATION
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
State sources	\$ 94,283	\$ 94,283	\$ 103,071	\$ 8,788
Total revenues	94,283	94,283	103,071	8,788
 EXPENDITURES				
Salaries and benefits	87,106	87,106	86,862	244
Purchased services	7,177	7,177	7,177	-
Total expenditures	94,283	94,283	94,039	244
Net change in fund balance	\$ -	\$ -	9,032	\$ 9,032
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR			(8,792)	
FUND BALANCE AT END OF YEAR			\$ 240	

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
McKINNEY EDUCATION FOR HOMELESS CHILDREN
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal sources	\$ 8,117	\$ 8,117	\$ 8,117	\$ -
Total revenues	<u>8,117</u>	<u>8,117</u>	<u>8,117</u>	<u>-</u>
EXPENDITURES				
Salaries and benefits	5,921	5,921	5,921	-
Purchased services	676	676	676	-
Supplies and materials	20	20	20	-
Payments to other governments	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Total expenditures	<u>8,117</u>	<u>8,117</u>	<u>8,117</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>11</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 11</u>	

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ROE/ISC
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State sources	\$ 24,461	\$ 24,461	\$ 30,205	\$ 5,744
Total revenues	<u>24,461</u>	<u>24,461</u>	<u>30,205</u>	<u>5,744</u>
 EXPENDITURES				
Purchased services	4,500	9,138	34,151	(25,013)
Supplies and materials	18,961	15,323	1,543	13,780
Capital outlay	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>24,461</u>	<u>24,461</u>	<u>35,694</u>	<u>(11,233)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(5,489)	<u>\$ (5,489)</u>
 FUND BALANCE AT BEGINNING OF YEAR			 <u>5,707</u>	
 FUND BALANCE AT END OF YEAR			 <u>\$ 218</u>	

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2012

	General Education Development	Bus Driver Training	Supervisory	Total
ASSETS				
Cash and cash equivalents	\$ 7,798	\$ 1,664	\$ 149	\$ 9,611
 TOTAL ASSETS	<u>\$ 7,798</u>	<u>\$ 1,664</u>	<u>\$ 149</u>	<u>\$ 9,611</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES	\$ -	\$ -	\$ -	\$ -
 FUND BALANCE				
Restricted	7,798	1,664	149	9,611
 TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 7,798</u>	<u>\$ 1,664</u>	<u>\$ 149</u>	<u>\$ 9,611</u>

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2012

	General Education Development	Bus Driver Training	Supervisory	Total
REVENUES				
Local sources	\$ 7,311	\$ 770	\$ -	\$ 8,081
State sources	-	834	-	834
Total revenues	7,311	1,604	-	8,915
EXPENDITURES				
Purchased services	2,331	1,384	-	3,715
Supplies and materials	3,635	-	-	3,635
Total expenditures	5,966	1,384	-	7,350
Net change in fund balances	1,345	220	-	1,565
FUND BALANCE AT BEGINNING OF YEAR	6,453	1,444	149	8,046
FUND BALANCE AT END OF YEAR	\$ 7,798	\$ 1,664	\$ 149	\$ 9,611

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2012

	Knox County Substance Abuse Prevention Program	Knox County Sales Tax	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 1,240</u>	<u>\$ 360,855</u>	<u>\$ 362,095</u>
Total Assets	<u><u>\$ 1,240</u></u>	<u><u>\$ 360,855</u></u>	<u><u>\$ 362,095</u></u>
LIABILITIES			
Due to others	<u>\$ 1,240</u>	<u>\$ 360,855</u>	<u>\$ 362,095</u>
Total Liabilities	<u><u>\$ 1,240</u></u>	<u><u>\$ 360,855</u></u>	<u><u>\$ 362,095</u></u>

KNOX COUNTY
 REGIONAL OFFICE OF EDUCATION #33
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2012

	Balance 7/1/2011	Additions	Deductions	Balance 6/30/2012
KNOX COUNTY SUBSTANCE ABUSE PREVENTION PROGRAM				
ASSETS				
Cash and cash equivalents	\$ 1,740	\$ -	\$ 500	\$ 1,240
LIABILITIES				
Due to others	\$ 1,740	\$ -	\$ 500	\$ 1,240
 KNOX COUNTY SALES TAX				
ASSETS				
Cash and cash equivalents	\$ -	\$ 3,098,235	\$ 2,737,380	\$ 360,855
LIABILITIES				
Due to others	\$ -	\$ 3,098,235	\$ 2,737,380	\$ 360,855
 TOTAL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 1,740	\$ 3,098,235	\$ 2,737,880	\$ 362,095
LIABILITIES				
Due to others	\$ 1,740	\$ 3,098,235	\$ 2,737,880	\$ 362,095