

State of Illinois
KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
FINANCIAL AUDIT
(In Accordance with the Single Audit Act & OMB Circular A-133)
For the Year Ended June 30, 2005

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

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33

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KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33

OFFICIALS

Regional Superintendent
(current and during the audit period)

Ms. Bonnie L. Harris

Assistant Regional Superintendent
(current and during the audit period)

Mr. John Delawder

Offices are located at:

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

COMPLIANCE REPORT SUMMARY

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

AUDITOR’S REPORTS

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

SUMMARY OF AUDIT FINDINGS

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

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (GOVERNMENTAL AUDITING STANDARDS)		
05-01	15-16	Controls over compliance with laws and regulations
05-02	17	Expenditure report for an education fund did not agree to the general ledger

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

None.

PRIOR FINDINGS NOT REPEATED (GOVERNMENTAL AUDITING STANDARDS)

04-01	21	Mandates not being followed
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PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

None.

EXIT CONFERENCE

An informal exit conference was held on September 26, 2005. Attending were Regional Superintendent Bonnie Harris and auditors Bob Plier and Mellissa Cameron.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33

FINANCIAL STATEMENT REPORT

SUMMARY

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

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

**INDEPENDENT AUDITORS' REPORT**

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Knox County Regional Office of Education #33, as of and for the year ended June 30, 2005, which collectively comprise the Knox County Regional Office of Education #33's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Knox County Regional Office of Education #33's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Knox County Regional Office of Education #33, as of June 30, 2005, 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 September 26, 2005 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.

The Management's Discussion and Analysis on pages 23 through 27 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Knox County Regional Office of Education #33's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

GINOLI & COMPANY LTD

GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
September 26, 2005



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 basic 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, 2005, which collectively comprise the Knox County Regional Office of Education #33's basic financial statements and have issued our report thereon dated September 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Knox County Regional Office of Education #33's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Knox County Regional Office of Education #33's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 05-02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

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*. However, we noted a certain immaterial instance of noncompliance which is required by the *Guidelines to Auditing and Reporting for a Regional Office of Education*, to be reported on the accompanying Schedule of Findings and Questioned Costs as item 05-01.

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

GINOLI & COMPANY LTD

GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
September 26, 2005



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE FOR EACH
PROGRAM DETERMINED TO BE MAJOR BY THE ILLINOIS STATE BOARD OF
EDUCATION IN THEIR MONITORING OF FEDERAL PROGRAMS**

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of the Knox County Regional Office of Education #33 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Regional Office of Education #33's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Regional Office of Education #33's management. Our responsibility is to express an opinion on the Regional Office of Education #33's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 criteria as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*. Those standards and criteria require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Regional Office of Education #33's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Regional Office of Education #33's compliance with those requirements.

In our opinion, the Knox County Regional Office of Education #33 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 criteria as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*.

Internal Control Over Compliance

The management of the Knox County Regional Office of Education #33 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Knox County Regional Office of Education #33's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 criteria as required by *Guidelines to Auditing and Reporting for a Regional Office of Education*.

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

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

GINOLI & COMPANY LTD

GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
September 26, 2005

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified
(unqualified, qualified, adverse, disclaimer)

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: unqualified
(unqualified, qualified, adverse, disclaimer)

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

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005
(CONTINUED)

Section I -- Summary of Auditor's Results - continued

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.558	Regional Safe Schools (TANF)
93.558	General State Aid - RSSP (TANF)

Dollar threshold used to distinguish between
Type A and Type B programs: \$ Not applicable

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

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005
(CONTINUED)

Section II-Financial Statement Findings

Finding No. 05-01 – Controls Over Compliance with Laws and Regulations

Criteria/specific requirement:

The Illinois School Code 105 ILCS 5/3-14.11 states that the Regional Superintendent shall examine at least once each year all books, accounts, and vouchers of every school treasurer in her educational service region, and if she finds any irregularities in them, to report them at once, in writing, to the trustees in Class II county school units, to the respective school boards of those school districts which form a part of a Class II county school unit but which are not subject to the jurisdiction of the trustees of schools of any township in which any such district is located, or to the respective school boards of the district in Class I county school units whose duty it shall be to take immediately such action as the case demands.

This mandate has existed in its current form since at least 1953.

Condition:

The Regional Office is not examining all books, accounts, and vouchers of every school treasurer in her educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school districts in her region. In addition, the Regional Office gets a spreadsheet from the Illinois State Board of Education (ISBE) that outlines all of the school districts and their audit exceptions, if any. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

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

Effect:

The Knox County Regional Office of Education #33 did not comply with statutory requirements.

Cause:

The Knox County Regional Office of Education #33's management were unaware that they were still required to perform the inspections.

Recommendation:

The Knox County Regional Office of Education #33 should comply with the requirements of 105 ILCS 5/3-14.11. If the Regional Office believes the statutory mandate is obsolete or otherwise unnecessary, then it should seek legislative action to revise the statute accordingly.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005
(CONTINUED)

Section II-Financial Statement Findings

Finding No. 05-01 – Controls Over Compliance with Laws and Regulations, Continued

Management’s Response:

In 1953, there were 102 county superintendents and their duties were a lot less numerous than today. Few schools had budgets that exceeded \$500,000. Under such conditions, this law probably made sense. During the past 50+ years, various practices have evolved eliminating the need for this type of monitoring. In the 21st century, all schools have multi-million dollar budgets that are: 1.) audited annually by professionally certified outside auditing firms; 2.) audits are filed for public record & inspection; and 3.) this is tracked through the process by the procedures mentioned above in the section titled “Condition”. Requiring the ROE’s to do another review would be redundant, costly, and require the hiring of teams of new staff members in each ROE to carry out the task. The latter begs the question of which level(s) of government would bear the cost to carry out this task and how costly might that be to reinstitute the practice?

We are grateful for the OAG’s assistance in calling this to our collective attention because it provides the Regional Offices of Education with additional justification to request that the General Assembly delete this and other obsolete sections from the statutes. We will seek a legislative solution to this and other obsolete passages.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005
(CONTINUED)

Section II-Financial Statement Findings

Finding No. 05-02 – An expenditure report for an education fund did not agree to the general ledger

Criteria/specific requirement:

Expenditure reports for education programs submitted to the Illinois State Board of Education should agree with the expenditures reported on the Knox County Regional Office of Education #33's general ledger.

Condition:

A comparison of the expenditure reports to the Knox County Regional Office of Education #33's general ledger revealed an instance where the totals on the final 2004 expenditure report did not agree with the Regional Office of Education #33's books by \$2,586.80, resulting in an inaccurate expenditure report.

Questioned Cost:

Title IV - Community Service - \$2,586.80

Context:

Submitted expenditure reports should agree to the general ledger in all cases. The expenditure report for the Title IV - Community Service program reported salaries and purchased services of \$3,000 and \$7,652, respectively, while the general ledger contained salaries and purchased services of \$1,966 and \$6,099, respectively.

Effect:

The Knox County Regional Office of Education #33 filed an inaccurate expenditure report from which reimbursement was made.

Cause:

The Knox County Regional Office of Education #33 personnel inadvertently included amounts expended for the 2003 program in the final 2004 expenditure report.

Recommendation:

The Knox County Regional Office of Education #33 personnel responsible for the reports should compare the total expenditures to the general ledger accounts and make necessary corrections before filing the reports. The Knox County Regional Office of Education #33 personnel should also reimburse the Illinois State Board of Education \$2,586.80.

Management's Response:

The Regional Superintendent plans to repay the Illinois State Board of Education \$2,586.80.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005
(CONTINUED)

Section III: Federal Award Findings

There were no findings for the fiscal year ended June 30, 2005.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
CORRECTIVE ACTION PLAN
JUNE 30, 2005

Corrective Action Plan

Finding No: 05-01

Condition:

The Regional Office is not examining all books, accounts, and vouchers of every school treasurer in her educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school districts in her region. In addition, the Regional Office gets a spreadsheet from the Illinois State Board of Education (ISBE) that outlines all of the school districts and their audit exceptions, if any. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

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

Corrective Action Plan:

The Regional Superintendent will seek a legislative solution to this and other obsolete passages.

Anticipated Date of Completion: December 31, 2005

Contact Person:

Bonnie Harris, Regional Superintendent

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
CORRECTIVE ACTION PLAN
JUNE 30, 2005

Corrective Action Plan

Finding No: 05-02

Condition:

A comparison of the expenditure reports to the Knox County Regional Office of Education #33's general ledger revealed an instance where the totals on the final 2004 expenditure report did not agree with the Regional Office of Education #33's books by \$2,586.80, resulting in an inaccurate expenditure report.

Corrective Action Plan:

The Regional Superintendent will repay the Illinois State Board of Education \$2,586.80.

Anticipated Date of Completion: December 31, 2005

Contact Person:

Bonnie Harris, Regional Superintendent

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
04-01	A. The Knox County Regional Office of Education #33 never submitted the required reports due on or before January 1, 2004.	Corrective action has been taken.
	B. The Knox County Regional Office of Education #33 never published nor posted in each school building under her jurisdiction, a copy of the Institute Fund report due on or before January 1, 2004.	Corrective action has been taken.

MANAGEMENT'S DISCUSSION AND ANALYSIS

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

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, 2005. 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 2005 enrollment in these districts was approximately 8,400.

FINANCIAL HIGHLIGHTS

- Total net assets increased by \$569, which represents .7% increase from fiscal year 2004.
- General revenues account for \$249,536 in revenue, or 37.9% of all revenues. Program specific revenues in the form of grants and contributions accounted for \$409,119 or 62.1% of total revenues.
- The ROE had \$658,086 in expenses.
- Capital assets, prior to depreciation noted above, increased \$8,573.
- 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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

The government-wide financial statements outline functions of the ROE that are principally supported by property taxes and intergovernmental revenues (governmental activities). The government-wide financial statements can be found on pages 29-30 of this report.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the ROE's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds 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 32 and 34, respectively.

The basic governmental fund financial statements can be found on pages 31 and 33 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-48 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 \$76,664 as of June 30, 2005. The majority of this (73% of total assets) is cash.

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

The following table presents a summary of the ROE's net assets for the fiscal years ended June 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Current assets	\$100,438	\$129,241
Capital assets, net	<u>18,191</u>	<u>29,967</u>
Total assets	<u>\$118,629</u>	<u>\$159,208</u>
Current liabilities	\$ 41,965	\$ 83,113
Long-term debt outstanding	<u>-0-</u>	<u>-0-</u>
Total liabilities	<u>\$ 41,965</u>	<u>\$ 83,113</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 18,191	\$ 29,967
Restricted	-0-	-0-
Unrestricted	<u>\$ 58,473</u>	<u>\$ 46,128</u>
Total net assets	<u>\$ 76,664</u>	<u>\$ 76,095</u>

Changes in net assets. The ROE's total revenues for the fiscal year ended June 30, 2005 were \$658,655. The total cost of all programs and services was \$658,086. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2005 and 2004.

Revenues:	<u>2005</u>	<u>2004</u>
Program revenues		
Operating grants and contributions	\$409,119	\$443,823
General revenues		
Local sources	14,479	19,219
State sources	1,360	24,605
On-behalf payments – State	203,809	212,092
On-behalf payments - Local	<u>29,888</u>	<u>24,807</u>
Total revenues	<u>\$658,655</u>	<u>\$724,546</u>

Expenses:

Instruction		
Salaries	\$272,152	\$342,901
Employee benefits	20,052	19,592
Purchased services	47,848	85,719
Supplies and materials	63,584	19,609
Other objects	404	300
Payments to other governmental units	-0-	4,129
Administrative Expenses		
On-behalf payments – State	203,809	212,092
On-behalf payments – Local	29,888	24,807
Unallocated depreciation expense	<u>20,349</u>	<u>22,883</u>
Total expenses	<u>\$658,086</u>	<u>\$732,032</u>
Increase (decrease) in net assets	<u>\$ 569</u>	<u>\$ (7,486)</u>

Governmental activities. The following table presents the cost of two major ROE functional activities: instruction and support services. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and ROE's taxpayers by each of these functions.

	<u>2005</u>		<u>2004</u>	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$404,040	\$ 5,079	\$472,250	\$ (28,427)
Support services	<u>254,046</u>	<u>(254,046)</u>	<u>259,782</u>	<u>(259,782)</u>
Total expenses	<u>\$658,086</u>	<u>\$(248,967)</u>	<u>\$732,032</u>	<u>\$(288,209)</u>

The net cost of governmental activities (\$248,967) was financed by general revenue, which is primarily on-behalf payments (\$233,697) and local revenue (\$14,479).

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 \$58,473, an increase of \$12,345 due primarily to an increase in the Education Fund of \$13,180. The entire fund balance constitutes unreserved and undesignated fund balance, which are available for spending at the ROE's discretion.

The General Fund is the principal operating fund of the ROE. The balance of the General Fund did not change during Fiscal 2005.

CAPITAL ASSETS

Capital Assets. As of June 30, 2005, the Knox County Regional Office of Education #33's total capital assets were \$186,875, comprised mainly of school and office furniture and equipment. This amount represents an increase of \$8,573 from the previous year. Total accumulated depreciation as of June 30, 2005 was \$168,684 and total depreciation expense for the year was \$20,349, resulting in total net capital assets of \$18,191.

Additional information of the ROE's capital assets can be found in Note 1 on page 41 of this report.

CURRENT ISSUES

Knox County Regional Office of Education #33 is financially stable. The current administration considers it a fiscal responsibility to operate within available funds, therefore, not incurring debt. The ROE plans to continue its sound fiscal management to meet the 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 affect its financial health in the future:

- The State of Illinois Foundation level used in the calculation has increased per student amount. This will positively affect the Safe School Program.
- The General Operations Grant has been decreased again for FY06 .
- The County Board support remains level for FY06.
- Reading First funds will not be available next year.
- Homeless Education grant will see a small increase
- A large reduction of the Truancy Grant has negatively impacted the service to students in the region.
- Technology - upgrading of equipment for the Regional Office and Alternative Programs.

Current funding allows the ROE to perform the following functions: administration of the GED process, administration of teacher certification and registration, operation of the Knox County Academy (an Alternative or Safe School) day and evening programs, operation of the county truancy program, organization of annual Teacher Institute Days, Outdoor Education Days, Geography Bowls and Spelling Bees. Despite some reduction in funding in the next fiscal year, the ROE foresees no difficulty continuing these functions with available funds.

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 Superintendent's Office of 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, 2005

<u>ASSETS</u>	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Current Assets:	
Cash	\$ 86,334
Due from other governmental units:	
State	12,104
Prepaid expenses	2,000
Total Current Assets	\$ 100,438
Noncurrent Assets:	
Capital assets, being depreciated, net	\$ 18,191
Total Assets	\$ 118,629
<u>LIABILITIES</u>	
Current Liabilities:	
Overdrafts	\$ 9,518
Accounts payable	13,401
Due to other governmental units	
State	2,587
Deferred revenue	16,459
Total Current Liabilities	\$ 41,965
<u>NET ASSETS</u>	
Investment in capital assets, net of related debt	\$ 18,191
Unrestricted	58,473
Total Net Assets	\$ 76,664

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, 2005

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Operating</u>	<u>Grants and Contributions</u>	<u>Primary Government</u>		
Primary government:				<u>Governmental</u>	<u>Activities</u>	<u>Total</u>
Governmental activities:						
Instructional services:						
Salaries	\$ 272,152	\$ 272,152		\$ -		\$ -
Employee benefits	20,052	20,052		-		-
Purchased services	47,848	35,843		(12,005)		(12,005)
Supplies and materials	63,584	72,095		8,511		8,511
Capital outlay	-	8,573		8,573		8,573
Other objects	404	404		-		-
Administrative:						
On-behalf payments - State	203,809	-		(203,809)		(203,809)
On-behalf payments - Local	29,888	-		(29,888)		(29,888)
Unallocated depreciation expense	20,349	-		(20,349)		(20,349)
Total governmental activities	<u>\$ 658,086</u>	<u>\$ 409,119</u>		<u>\$ (248,967)</u>		<u>\$ (248,967)</u>

GENERAL REVENUES:

Local sources	\$ 14,479	\$ 14,479
State sources	1,360	1,360
On-behalf payments:		
State	203,809	203,809
Local	29,888	29,888
Total general revenues and transfers	<u>\$ 249,536</u>	<u>\$ 249,536</u>

CHANGE IN NET ASSETS	\$ 569	\$ 569
NET ASSETS, BEGINNING	<u>76,095</u>	<u>76,095</u>
NET ASSETS, ENDING	<u>\$ 76,664</u>	<u>\$ 76,664</u>

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, 2005

<u>ASSETS</u>	<u>General Fund</u>	<u>Education Fund</u>	<u>Institute Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ -	\$ 68,491	\$ 15,909	\$ 1,934	\$ 86,334
Due from other funds	-	2,806	-	15	2,821
Due from other governmental units:					
State	-	12,104	-	-	12,104
Prepaid expenses	-	2,000	-	-	2,000
Total Assets	<u>\$ -</u>	<u>\$ 85,401</u>	<u>\$ 15,909</u>	<u>\$ 1,949</u>	<u>\$ 103,259</u>
<u>LIABILITIES</u>					
Overdrafts	\$ -	\$ 9,518	\$ -	\$ -	\$ 9,518
Accounts payable	-	13,098	-	303	13,401
Due to other funds	-	2,821	-	-	2,821
Due to other governmental units:					
State	-	2,587	-	-	2,587
Deferred revenue	-	-	16,459	-	16,459
Total Liabilities	<u>\$ -</u>	<u>\$ 28,024</u>	<u>\$ 16,459</u>	<u>\$ 303</u>	<u>\$ 44,786</u>
<u>FUND BALANCES</u>					
Unreserved, reported in:					
General fund	\$ -	\$ -	\$ -	\$ -	\$ -
Special revenue funds	-	57,377	(550)	1,646	58,473
Total Fund Balances (Deficit)	<u>\$ -</u>	<u>\$ 57,377</u>	<u>\$ (550)</u>	<u>\$ 1,646</u>	<u>\$ 58,473</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 85,401</u>	<u>\$ 15,909</u>	<u>\$ 1,949</u>	<u>\$ 103,259</u>

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, 2005

Total fund balances - governmental funds	\$ 58,473
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	18,191
Net assets of governmental activities	<u>\$ 76,664</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, 2005

	<u>General Fund</u>	<u>Education Fund</u>	<u>Institute Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Local sources	\$ -	\$ 4,058	\$ 9,954	\$ 4,525	\$ 18,537
State sources	-	335,199	-	1,360	336,559
Federal sources	-	69,862	-	-	69,862
On-behalf payments	219,082	14,615	-	-	233,697
Total Revenues	<u>\$ 219,082</u>	<u>\$ 423,734</u>	<u>\$ 9,954</u>	<u>\$ 5,885</u>	<u>\$ 658,655</u>
EXPENDITURES:					
Education:					
Salaries	\$ -	\$ 272,152	\$ -	\$ -	\$ 272,152
Employee benefits	-	20,052	-	-	20,052
Purchased services	-	35,843	8,449	3,556	47,848
Supplies and materials	-	59,374	1,812	2,398	63,584
Capital outlay	-	8,573	-	-	8,573
Other objects	-	404	-	-	404
On-behalf payments	219,082	14,615	-	-	233,697
Total Expenditures	<u>\$ 219,082</u>	<u>\$ 411,013</u>	<u>\$ 10,261</u>	<u>\$ 5,954</u>	<u>\$ 646,310</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 12,721</u>	<u>\$ (307)</u>	<u>\$ (69)</u>	<u>\$ 12,345</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Transfers in	\$ -	\$ 459	\$ -	\$ -	\$ 459
Transfers out	-	-	-	(459)	(459)
Net other sources and uses of financial resources	<u>\$ -</u>	<u>\$ 459</u>	<u>\$ -</u>	<u>\$ (459)</u>	<u>\$ -</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ 13,180	\$ (307)	\$ (528)	\$ 12,345
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	-	44,197	(243)	2,174	46,128
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ -</u>	<u>\$ 57,377</u>	<u>\$ (550)</u>	<u>\$ 1,646</u>	<u>\$ 58,473</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, 2005

Net change in fund balances	\$ 12,345
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>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.</p>	
Capital outlay	\$ 8,573
Depreciation expense	<u>(20,349)</u>
Net	<u>(11,776)</u>
Change in net assets of governmental activities	<u>\$ 569</u>

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Regional Office of Education's (ROE) accounting policies conform to generally accepted accounting principles which are appropriate for local governmental units of this type.

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

The Knox County Regional Office of Education #33 was formed as a result of an Educational Service Region becoming a Regional Office of Education on August 7, 1995. 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 principal financial duty of the Regional Superintendent is to receive and distribute monies due to school districts from general state aid, state categorical grants and various other sources.

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

The ROE has developed criteria to determine whether outside agencies with activities which benefit the citizens of the ROE's geographic responsibility, including joint agreements which serve pupils from numerous school districts, should be included within its financial entity. The criteria include but are not limited to, whether the ROE exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

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

B. Basis of Presentation and Basis of Accounting

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

B. Basis of Presentation and Basis of Accounting – continued

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

B. Basis of Presentation and Basis of Accounting – continued

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

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

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

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

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

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

Truant's 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

B. Basis of Presentation and Basis of Accounting – continued

Title IV Community Service – to provide for programs under which students expelled or suspended from school are required to perform community service. Service activities are not viewed as punitive, but rather as a way to help students succeed and become valuable community citizens.

Learn and Serve America – to encourage elementary and secondary schools and community-based agencies to create, develop, and offer service-learning opportunities for school-age youth; educate teachers about service-learning and incorporate service-learning opportunities into classrooms to enhance academic learning; coordinate adult volunteers in schools; and introduce young people to a broad range of careers and encourage them to pursue further education and training.

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

Career Development – to provide funds to prepare and administer workshops for teachers.

Title I – Reading First Part B SEA Funds – to ensure that every student can read at grade level or above by the end of third grade.

Asthma – to increase asthma awareness.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

B. Basis of Presentation and Basis of Accounting – continued

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

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

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, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The school districts within the ROE’s geographic responsibility have signed formal agreements which allow the ROE to retain any interest earned during the year. At June 30, 2005, the ROE had no fiduciary funds.

C. Budget and Budgetary Accounting

The ROE does not adopt a formal budget for all revenues and expenditures of the governmental funds and is not legally required to do so. 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. These include Learn and Serve America, Regional Safe Schools, Truant’s Alternative Education and Title I – Reading First Part B SEA Funds.

D. Assets, Liabilities, and Net Assets

Deposits and investments

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

D. Assets, Liabilities and Net Assets – continued

Receivables and payables

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

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

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

Prepaid expenses

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

Capital assets

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

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

Deferred revenue

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

D. Assets, Liabilities, and Net Assets– continued

Net assets

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

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

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

E. Use of Estimates

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

F. Intergovernmental Agreement

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

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

G. New Accounting Pronouncements

Effective July 1, 2004, the ROE adopted the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment to certain provisions of GASB Statement No. 3. This Statement requires certain disclosures for common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. There was no significant impact on the ROE's financial statements as a result of adopting this Statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: CASH

The investment and deposit of ROE monies is governed by the provisions of the Illinois Revised Statutes. The ROE has no policy regarding custodial credit risk for deposits.

At year-end, the carrying amount of the ROE's deposits totaled \$76,816 and the bank balances totaled \$91,326. Of these balances, \$76,816 was covered by federal depository insurance.

NOTE 3: COMMON BANK ACCOUNT

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

NOTE 4: DUE TO/FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units consists of the following at June 30, 2005:

Due from Illinois State Board of Education	
for unpaid portion of various programs:	
Title I - Reading First Part B SEA Funds	\$1,712
Truant's Alternative Education	8,573
State Free Breakfast and Lunch	109
Regional Safe Schools Program	966
Learn and Serve America	<u>744</u>
Total	<u>\$12,104</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: DUE FROM/TO OTHER FUNDS

As of June 30, 2005, the interfund account balances were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
General State Aid - RSSP	Truant's Alternative Education	\$2,806
General State Aid - RSSP	GED Fund	15
Total		<u>\$2,821</u>

NOTE 6: CAPITAL ASSETS

Capital asset activity during the 2005 fiscal year was as follows:

	<u>Balance</u> <u>7-1-04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6-30-05</u>
Equipment	\$178,302	\$8,573	\$ -	\$186,875
Less accumulated depreciation	<u>(148,335)</u>	<u>(20,349)</u>	-	<u>(168,684)</u>
Total	<u>\$ 29,967</u>	<u>\$(11,776)</u>	<u>\$ -</u>	<u>\$ 18,191</u>

NOTE 7: DUE TO OTHER GOVERNMENTAL UNITS

Due to other governmental units consists of the following at June 30, 2005:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Illinois State Board of Education	Title IV Community Service	\$2,587

NOTE 8: DEFICIT FUND BALANCE

The ROE has a deficit fund balance of \$550 in the Institute Fund.

NOTE 9: RETIREMENT FUND COMMITMENTS

A. Teachers' Retirement System of the State of Illinois

The ROE participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago.

The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from the participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: RETIREMENT FUND COMMITMENTS – continued

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

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 through June 30, 2005 was 9 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer.

In addition, virtually all members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not part of this retirement plan. The employer THIS Fund health insurance contribution was 0.5 percent during the year ended June 30, 2005 and the member THIS Fund health insurance contribution rate was .75 percent.

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

- **On-behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the ROE. For the year ended June 30, 2005, State of Illinois contributions were based on 11.76 percent of creditable earnings, and the ROE recognized revenue and expenditures of \$14,615 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2004 and June 30, 2003, the State of Illinois contribution rates as percentages of creditable earnings were 13.98 percent (\$24,789) and 13.01 percent (\$18,327), respectively.

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

- **2.2 formula contributions.** For the years ended June 30, 2005 and June 30, 2004, employers contributed 0.58 percent of creditable earnings for the 2.2 formula change. Contributions for the year ending June 30, 2005 and June 30, 2004 were \$722 and \$1,028, respectively.

For the year ended June 30, 2003, part of the employer's 2.2 formula contribution (0.58 percent of pay) was reduced as a result of a new employer THIS Fund contribution for retiree health insurance (0.4 percent of pay). The remaining 0.18 percent was submitted to TRS. Contributions for the year ended June 30, 2003 were \$254.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: RETIREMENT FUND COMMITMENTS - continued

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

- **Federal and trust fund contributions.** When TRS members are paid from federal and trust funds administered from the district, there is a statutory requirement for the district to pay an additional contribution from those funds. For the three years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the years ended June 30, 2005, 2004, and 2003, there were no salaries paid from federal and trust funds.
- **Early Retirement Option.** The ROE is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option. The payments vary depending on the age and salary of the member. No member or employer contributions are required if the member has 34 years of service. The maximum employer payment of 100 percent of the member's highest salary used in the calculation of the final average salary is required if the member is 55 years old. For the years ending June 30, 2005, 2004, and 2003, the ROE paid no employer contributions under the Early Retirement Option.

Changes. Public Act 94-0004, which was signed into law on June 1, 2005, contained a number of provisions affecting employer and active member contributions. Most will not be effective or impact financial statements until the year ending June 30, 2006. The changes are summarized below.

- **Active Member Contributions.** The active member contribution rate will increase from the current 9.0 percent of creditable earnings to 9.4 percent beginning July 1, 2005. The increase is to help cover the cost of the new ERO program and will be refunded if the member does not retire under ERO.
- **State/Federal Contributions.** Under a policy adopted by the Board of Trustees before Public Act 94-0004 was enacted, the employer contribution rate for employees paid from federal funds will be the same as the rate paid by the state. Under Public Act 94-0004, the state contribution rate in FY 2006 was reduced to 7.06 percent of pay. Therefore, the employer contribution rate for employees paid from federal funds in FY 2006 will be 7.06 percent, a decrease from the current 10.5 percent.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: RETIREMENT FUND COMMITMENTS - continued

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

- **New Employer Contributions.**
 - Salary increases over 6 percent. If employers grant salary increases in excess of 6 percent that are used in final average salary calculations, the employer will make a lump sum contribution to TRS to cover the cost of the portion of the benefit due to salary increases over 6 percent. Public Act 94-0004 exempts salary increases granted under contracts and collective bargaining agreements in effect on June 1, 2005.
 - Sick leave in excess of normal allotment. If employers grant sick leave near retirement in excess of the normal annual allotment and that sick leave is counted as service credit, the employer will make a lump-sum contribution to TRS. The act exempts sick leave granted under contracts and collective bargaining agreements in effect on June 1, 2005.
- **Early Retirement Option.** In addition to changes described above, the following changes were made to ERO.
 - Both active member and employer ERO contribution rates are increased. For employers, the maximum contribution increased from the current 100 percent of the member's highest salary used in the calculation of final average salary to 117.5 percent.
 - The waiver of member and employer ERO contributions when the member has 34 years of service ended with the program that expired June 30, 2005.
 - A "pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007.
- Public Act 94-0004 provides for a review of the member and employer ERO contributions every five years to ensure that the program revenue is neutral.

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, 2004. The report for the year ended June 30, 2005 is expected to be available in late 2005.

The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, IL 62794-9253. The most current report is also available on the TRS web site at www.trs.state.il.us.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: ON-BEHALF PAYMENTS

The following salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education:

Regional Superintendent salary	\$ 84,737
Regional Superintendent benefits (includes State paid insurance)	17,103
Assistant Regional Superintendent salary	76,263
Assistant Regional Superintendent benefits (includes State paid insurance)	11,091
TRS contributions	<u>14,615</u>
Total	<u>\$203,809</u>

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

Salaries	\$26,710
Benefits	<u>3,178</u>
Total	<u>\$29,888</u>

The total of on-behalf payments for salaries and benefits shown above of \$219,082 are reported as revenues and expenditures in the General Fund. TRS contributions of \$14,615 are reported as revenues and expenditures in the Regional Safe Schools Program.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
JUNE 30,2005

	Regional Safe Schools	Truant's Alternative Education	Learn and Serve America	Title IV Community Service	McKinney Education for Homeless Children	Career Development	Asthma	Title I - Reading First Part B SEA Funds	Total
<u>ASSETS</u>									
Cash	\$ 58,781	\$ -	\$ -	\$ 2,587	\$ -	\$ -	\$ -	\$ 7,123	\$ 68,491
Due from other funds	-	2,806	-	-	-	-	-	-	2,806
Due from other governmental units:									
State	1,075	8,573	744	-	-	-	-	1,712	12,104
Prepaid expenses	2,000	-	-	-	-	-	-	-	2,000
Total Assets	\$ 61,856	\$ 11,379	\$ 744	\$ 2,587	\$ -	\$ -	\$ -	\$ 8,835	\$ 85,401
<u>LIABILITIES</u>									
Overdrafts	\$ 942	\$ 7,832	\$ 744	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,518
Accounts payable	716	3,547	-	-	-	-	-	8,835	13,098
Due to other funds	2,821	-	-	-	-	-	-	-	2,821
Due to other governmental units:									
State	-	-	-	2,587	-	-	-	-	2,587
Deferred revenue	-	-	-	-	-	-	-	-	-
Total Liabilities	\$ 4,479	\$ 11,379	\$ 744	\$ 2,587	\$ -	\$ -	\$ -	\$ 8,835	\$ 28,024
<u>FUND BALANCES</u>									
Fund Balances:									
Unreserved	\$ 57,377	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,377
Total Fund Equity	\$ 57,377	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,377
Total Liabilities and Fund Balances	\$ 61,856	\$ 11,379	\$ 744	\$ 2,587	\$ -	\$ -	\$ -	\$ 8,835	\$ 85,401

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2005

	Regional Safe Schools	Truants Alternative Education	Title IV Community Service	Learn and Serve America	McKinney Education for Homeless Children	Career Development	Asthma	Title I - Reading First Part B SEA Funds	Total
REVENUES:									
Local sources:	\$ 1,252	\$ 2,806	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,058
State sources	220,750	104,199	-	-	8,750	-	1,500	-	335,199
Federal sources	45,013	-	-	744	-	-	-	24,105	69,862
Interest	-	-	-	-	-	-	-	-	-
On-behalf payments	14,615	-	-	-	-	-	-	-	14,615
Total Revenues	\$281,630	\$ 107,005	\$ -	\$ 744	\$ 8,750	\$ -	\$ 1,500	\$ 24,105	\$423,734
EXPENDITURES:									
Salaries	\$181,801	\$ 80,224	\$ -	\$ -	\$ 5,075	\$ -	\$ -	\$ 5,052	\$272,152
Employee benefits	11,268	8,440	-	-	344	-	-	-	20,052
Purchased services	9,301	15,852	-	744	968	-	78	8,900	35,843
Supplies and materials	42,939	2,489	-	-	2,363	8	1,422	10,153	59,374
Capital outlay	8,573	-	-	-	-	-	-	-	8,573
Other objects	404	-	-	-	-	-	-	-	404
On-behalf payments	14,615	-	-	-	-	-	-	-	14,615
Total Expenditures	\$268,901	\$ 107,005	\$ -	\$ 744	\$ 8,750	\$ 8	\$ 1,500	\$ 24,105	\$411,013
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 12,729	\$ -	\$ -	\$ -	\$ -	\$ (8)	\$ -	\$ -	\$ 12,721
OTHER SOURCES (USES) OF FINANCIAL RESOURCES									
Transfers in	\$ 459	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 459
Transfers out	-	-	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	\$ 459	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 459
NET CHANGE IN FUND BALANCE	\$ 13,188	\$ -	\$ -	\$ -	\$ -	\$ (8)	\$ -	\$ -	\$ 13,180
FUND BALANCES, BEGINNING OF YEAR	44,189	-	-	-	-	8	-	-	44,197
FUND BALANCES, END OF YEAR	\$ 57,377	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,377

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 BUDGETARY COMPARISON SCHEDULES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2005

	Title I - Reading First Part B SEA Funds				Learn and Serve America			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final			Original	Final		
REVENUES:								
Local sources:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-	-
Federal sources	42,204	42,204	24,105	(18,099)	10,305	10,305	744	(9,561)
Interest	-	-	-	-	-	-	-	-
On-behalf payments	-	-	-	-	-	-	-	-
Total Revenues	<u>\$ 42,204</u>	<u>\$ 42,204</u>	<u>\$ 24,105</u>	<u>\$ (18,099)</u>	<u>\$ 10,305</u>	<u>\$ 10,305</u>	<u>\$ 744</u>	<u>\$ (9,561)</u>
EXPENDITURES:								
Salaries	\$ 5,000	\$ 5,000	\$ 5,052	\$ 52	\$ 4,000	\$ 4,000	\$ -	\$ (4,000)
Employee benefits	-	-	-	-	-	-	-	-
Purchased services	8,900	8,900	8,900	-	4,805	4,805	744	(4,061)
Supplies and materials	28,304	28,304	10,153	(18,151)	1,500	1,500	-	(1,500)
On-behalf payments	-	-	-	-	-	-	-	-
Total Expenditures	<u>\$ 42,204</u>	<u>\$ 42,204</u>	<u>\$ 24,105</u>	<u>\$ (18,099)</u>	<u>\$ 10,305</u>	<u>\$ 10,305</u>	<u>\$ 744</u>	<u>\$ (9,561)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-	-	-	-	-
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 BUDGETARY COMPARISON SCHEDULES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2005

	Regional Safe Schools				Truant's Alternative Education			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
REVENUES:								
Local sources:	\$ 1,252	\$ 1,252	\$ 1,252	\$ -	\$ 2,806	\$ 2,806	\$ 2,806	\$ -
State sources	-	-	220,750	220,750	104,199	104,199	104,199	-
Federal sources	-	-	45,013	45,013	-	-	-	-
Interest	-	-	-	-	-	-	-	-
On-behalf payments	14,615	14,615	14,615	-	-	-	-	-
Total Revenues	\$ 15,867	\$ 15,867	\$ 281,630	\$ 265,763	\$ 107,005	\$ 107,005	\$ 107,005	\$ -
EXPENDITURES:								
Salaries	\$ -	\$ -	\$ 84,463	\$ 84,463	\$ 80,126	\$ 80,126	\$ 80,224	\$ 98
Employee benefits	-	-	2,802	2,802	8,440	8,440	8,440	-
Purchased services	-	-	1,279	1,279	16,939	16,939	15,852	(1,087)
Supplies and materials	-	-	2,270	2,270	1,500	1,500	2,489	989
On-behalf payments	15,867	15,867	24,650	8,783	-	-	-	-
Total Expenditures	\$ 15,867	\$ 15,867	\$ 115,464	\$ 99,597	\$ 107,005	\$ 107,005	\$ 107,005	\$ -
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ 166,166	\$ 166,166	\$ -	\$ -	\$ -	\$ -
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-	-	-	-	-
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ 166,166	\$ 166,166	\$ -	\$ -	\$ -	\$ -

Note: The budget and actual information will not reconcile to the amounts in the Combining Statement of Expenditures and Changes in Fund Balances due to the fact that the Regional Safe Schools fund receives a significant amount of General State Aid funding which is not subject to grant budget requirements.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2005

<u>ASSETS</u>	General Educational				
	Development <u>Fund</u>	Bus Driver <u>Fund</u>	ROE #33 <u>Fund</u>	Supervisory <u>Fund</u>	<u>Total</u>
Cash	\$ 617	\$ 183	\$ -	\$ 1,134	\$ 1,934
Accounts receivable	-	-	-	-	-
Due from other funds	15	-	-	-	15
Total Assets	\$ 632	\$ 183	\$ -	\$ 1,134	\$ 1,949
<u>LIABILITIES</u>					
Overdrafts	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	303	-	-	-	303
Total Liabilities	\$ 303	\$ -	\$ -	\$ -	\$ 303
<u>FUND BALANCES</u>					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	329	183	-	1,134	1,646
Total Fund Balance	\$ 329	\$ 183	\$ -	\$ 1,134	\$ 1,646
Total Liabilities and Fund Balances	\$ 632	\$ 183	\$ -	\$ 1,134	\$ 1,949

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>G.E.D.</u> <u>Fund</u>	<u>Bus Driver</u> <u>Fund</u>	<u>ROE #33</u> <u>Fund</u>	<u>Supervisory</u> <u>Fund</u>	<u>Total</u>
REVENUES:					
Local sources	\$ 4,513	\$ 12	\$ -	\$ -	\$ 4,525
State sources	-	360	-	1,000	1,360
Total Revenues	<u>\$ 4,513</u>	<u>\$ 372</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 5,885</u>
EXPENDITURES:					
Purchased services	\$ 3,337	\$ 219	\$ -	\$ -	\$ 3,556
Supplies and materials	2,398	-	-	-	2,398
Total Expenditures	<u>\$ 5,735</u>	<u>\$ 219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,954</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,222)</u>	<u>\$ 153</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ (69)</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Transfers out	\$ -	\$ -	\$ (459)	\$ -	\$ (459)
Total other sources (uses) of financial resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (459)</u>	<u>\$ -</u>	<u>\$ (459)</u>
NET CHANGE IN FUND BALANCE	\$ (1,222)	\$ 153	\$ (459)	\$ 1,000	\$ (528)
FUND BALANCES, BEGINNING OF YEAR	<u>1,551</u>	<u>30</u>	<u>459</u>	<u>134</u>	<u>2,174</u>
FUND BALANCES, END OF YEAR	<u>\$ 329</u>	<u>\$ 183</u>	<u>\$ -</u>	<u>\$ 1,134</u>	<u>\$ 1,646</u>

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Project #</u>	<u>Federal Expenditures 7/1/04-06/30/05</u>
Corporation for National and Community Services passed through ISBE:			
Learn and Serve America	94.004	2005-4910-00	\$ 744
U.S. Dept. of Education passed through ISBE:			
Title I - Reading First Part B SEA Funds	84.357C	2005-4337-02	\$ 24,105
U.S. Dept. of Agriculture passed through ISBE:			
National School Lunch Program	10.555	2004-4210-00	\$ 864
School Breakfast Program	10.553	2004-4220-00	274
National School Lunch Program	10.555	2005-4210-00	6,123
School Breakfast Program	10.553	2005-4220-00	1,412
Total			<u>\$ 8,673</u>
U.S. Dept. of Health and Human Services passed through ISBE:			
(M) Regional Safe Schools (TANF)	93.558	2005-3696-00	\$ 8,707
(M) General State Aid - RSSP (TANF)	93.558	2005-3001-93	27,633
Total			<u>\$ 36,340</u>
Total Expenditures of Federal Awards			<u><u>\$ 69,862</u></u>

(M) Program was audited as a major program.

The accompanying notes are an integral part of this schedule.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Knox County Regional Office of Education #33 and is presented on the modified accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: SUBRECIPIENTS

None

NOTE 3: DESCRIPTION OF MAJOR FEDERAL PROGRAM

Regional Safe Schools - to support other programs that prevent violence in and around schools and by strengthening programs that prevent the illegal use of alcohol, tobacco, and drugs, involve parents, and are coordinated with related Federal, State, and community efforts and resources.

NOTE 4: NON-CASH ASSISTANCE

None

NOTE 5: AMOUNT OF INSURANCE

None

NOTE 6: LOANS OR LOAN GUARANTEES OUTSTANDING

None