

STATE OF ILLINOIS
KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

FINANCIAL AUDIT

For the Year Ended June 30, 2015

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
(July 1, 2015 – Present)

Ms. Jodi Scott

Regional Superintendent
(during audit period)

Ms. Bonnie L. Harris

Assistant Regional Superintendent
(July 1, 2015 – Present)

Ms. Lori Loving

Assistant Regional Superintendent
(during audit period)

Ms. Jill Colley

Offices are located at:

ROE Main Office (during audit period)
121 S. Prairie Street
P.O. Box 430
Galesburg, Illinois 61401

ROE Main Office (subsequent to audit period)
105 North E Street, Suite 1
Monmouth, Illinois 61462

Knox County Academy (during audit period)
1054 East Losey Street
Galesburg, Illinois 61401

Regional Alternative Education Services
(subsequent to audit period)
235 East Main Street
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 | 1 | 1 |
| Repeated audit findings | 1 | 1 |
| Prior recommendations implemented or not repeated | 0 | 0 |

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

SUMMARY OF FINDINGS AND RESPONSES

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> | <u>Finding Type</u> |
|---|-------------|---|---------------------|
| <u>Findings (Government Auditing Standards)</u> | | | |
| 2015-001 | 11 | Controls Over Financial Statement Preparation | Material Weakness |

Prior Audit Findings Not Repeated (Government Auditing Standards)

None

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

EXIT CONFERENCE

Per correspondence received from the Regional Superintendent of Henderson, Knox, Mercer, and Warren Counties Regional Office of Education #33 on April 21, 2016, Knox County Regional Office of Education #33 waived having an exit conference. The response to the recommendation was provided by ROE management in correspondence received September 25, 2015.

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 unmodified opinion on the Knox County Regional Office of Education #33's basic financial statements.



CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the Knox County Regional Office of Education #33's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in the fiscal year ending June 30, 2015, the Knox County Regional Office of Education #33 adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Teachers' Retirement System of the State of Illinois Schedule of the Employer's Proportionate Share of the Net Pension Liability and Schedule of Employer Contributions on pages 16 through 22 and 54 through 56 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.

Other Information

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 schedules of accounts, the budgetary comparison schedules, and the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules of accounts, the budgetary comparison schedules, and the combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 schedules of accounts, the budgetary comparison schedules, and the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2016 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Knox County Regional Office of Education #33's internal control over financial reporting and compliance.

Sulaski - Webb

Sulaski and Webb
Certified Public Accountants
Bloomington, Illinois

April 21, 2016

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 Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Knox County Regional Office of Education #33, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Knox County Regional Office of Education #33's basic financial statements, and have issued our report thereon dated April 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Knox County Regional Office of Education #33's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Knox County Regional Office of Education #33's internal control. Accordingly, we do not express an opinion on the effectiveness of Knox County Regional Office of Education #33's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 the accompanying Schedule of Findings and Responses as item 2015-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Knox County Regional Office of Education #33's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Regional Office of Education #33's Response to Finding

Knox County Regional Office of Education #33's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Knox County Regional Office of Education #33's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Knox County Regional Office of Education #33's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Knox County Regional Office of Education #33's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sulaski & Webb

Sulaski and Webb
Certified Public Accountants
Bloomington, Illinois

April 21, 2016

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

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

Internal Control Over Financial Reporting:

- (2) One material weakness identified during the audit of the financial statements is 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 noted during the audit.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2015

Section II – Financial Statement Findings

Finding No. 2015-001
Repeated from 14-001,
13-001, 12-1, 11-1, 10-1,
09-1, 08-1 and 07-1

Controls Over Financial Statement Preparation

Criteria/Specific Requirement:

The Knox County Regional Office of Education #33 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office of Education #33's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments* (Statement), requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental funds balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the Statement requires information about the government's major and nonmajor funds in the aggregate, to be provided in the fund financial statements.

GASB Statements No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, require governments to record and present net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources and pension expenses. These standards further prescribe the methods and assumptions that are to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of service.

Condition:

The Regional Office of Education #33 does not have sufficient internal controls over the financial reporting process. The Regional Office of Education #33 maintains its accounting records on the cash basis of accounting during the fiscal year. While the Regional Office of Education #33 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of 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

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2015

Section II – Financial Statement Findings - Continued

Finding No. 2015-001
Repeated from 14-001,
13-001, 12-1, 11-1, 10-1,
09-1, 08-1 and 07-1

Controls Over Financial Statement Preparation – Continued

Condition (Continued)

During review of the Regional Office of Education #33's financial information prepared by the Regional Office of Education #33, auditors noted there were not adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts receivable, accounts payable, and unearned revenue, not all entries were provided to reconcile the Regional Office of Education #33's grant activity, such as posting grant receivables.

Through inquiries and discussions with the Regional Office of Education #33's accounting personnel and Regional Superintendent, auditors noted that the Regional Office of Education #33 did not have adequate controls to record and report the Regional Office of Education #33's net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources and pension expenses in accordance with GAAP.

Effect:

The Regional Office of Education #33 management or its 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 the Regional Office of Education #33 management, 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.

According to Regional Office of Education #33's management, the complex requirements of GASB Statements No. 68 and No. 71 were new for fiscal year 2015 and will require additional time and training before the Regional Office of Education #33 can fully implement the requirements on its own.

Auditor's Recommendation:

As part of internal control over the preparation of financial statements, the Regional Office of Education #33 should implement comprehensive preparation procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual(s) possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education #33's activities and operations.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2015

Section II – Financial Statement Findings - Continued

Finding No. 2015-001
Repeated from 14-001,
13-001, 12-1, 11-1, 10-1,
09-1, 08-1 and 07-1

Controls Over Financial Statement Preparation – Continued

Management's Response:

The Regional Office of Education #33 understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office management is confident with the accounting staff and the preparation of financial information. When fiscally possible, additional training or hiring of additional staff will be pursued.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

CORRECTIVE ACTION PLAN FOR
CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2015

Corrective Action Plan

Finding No. 2015-001

Condition: The Regional Office of Education #33 does not have sufficient internal controls over the financial reporting process. The Regional Office of Education #33 maintains its accounting records on the cash basis of accounting during the fiscal year. While the Regional Office of Education #33 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of 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

During review of the Regional Office of Education #33's financial information prepared by the Regional Office of Education #33, auditors noted there were not adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts receivable, accounts payable, and unearned revenue, not all entries were provided to reconcile the Regional Office of Education #33's grant activity, such as posting grant receivables.

Through inquiries and discussions with the Regional Office of Education #33's accounting personnel and Regional Superintendent, auditors noted that the Regional Office of Education #33 did not have adequate controls to record and report the Regional Office of Education #33's net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources and pension expenses in accordance with GAAP.

Plan: The Regional Office of Education #33 understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office management is confident with the accounting staff and the preparation of financial information. When fiscally possible, additional training or hiring of additional staff will be pursued.

Completion Date: As soon as possible

Contact Person: Jodi Scott, Regional Superintendent

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2015

| <u>Finding Number</u> | <u>Prior Finding</u> | <u>Status</u> |
|---------------------------|---|-------------------------------|
| 2014-001 | The ROE did not have sufficient internal controls over the financial reporting process. | Repeated as Finding 2015-001. |

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

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, 2015. 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 2015 enrollment in these districts was just over 8,000.

Financial Highlights

- Total net position decreased by \$20,474, which represents a 20.4% decrease from fiscal year 2014. This decrease is primarily due to more salaries and benefits expenses in fiscal year 2015, as well as a prior period adjustment related to implementation of GASB Statement No. 68.
- General revenues account for \$347,934 in revenue, or 50.0% of all revenues. Program specific revenues in the form of grants and contributions accounted for \$347,791 or 50.0% of total revenues.
- The ROE had \$704,472 in expenses.
- Capital assets, prior to depreciation, increased from \$31,126 in fiscal year 2014 to \$34,936 in fiscal year 2015 due to additions of computer equipment.
- 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, deferred outflows, liabilities, and deferred inflows.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Overview of Financial Statements (continued)

The Statement of Net Position presents information on all the ROE's assets/deferred outflows and liabilities/deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 23-24 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 26 and 28, respectively.

The basic governmental fund financial statements can be found on pages 25 and 27 of this report.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Overview of Financial Statements (continued)

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 Position can be found on page 29 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 30-53 of this report.

Government-Wide Financial Analysis

Net position

Net position may serve over time as a useful indicator of government's financial position. In the case of the ROE, assets and deferred outflows exceeded liabilities and deferred inflows by \$80,053 as of June 30, 2015. The majority of this 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 on the next page presents a summary of the ROE's net position for the fiscal years ended June 30, 2015 and 2014.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Net position (continued)

| | 2015 | 2014 |
|---|-----------|------------|
| Assets | | |
| Current assets | \$ 94,450 | \$ 134,761 |
| Capital assets, net | 3,111 | 1,134 |
| Total assets | 97,561 | 135,895 |
| Deferred outflows of resources | | |
| Deferred outflows related to pensions | 537 | - |
| Total deferred outflows of resources | 537 | - |
| Liabilities | | |
| Current liabilities | 6,270 | 35,368 |
| Noncurrent liabilities | 8,691 | - |
| Total liabilities | 14,961 | 35,368 |
| Deferred inflows of resources | | |
| Deferred inflows related to pensions | 3,084 | - |
| Total deferred inflows of resources | 3,084 | - |
| Net Position: | | |
| Net investment in capital assets | 3,111 | 1,134 |
| Restricted - Other | 62,660 | 55,089 |
| Unrestricted | 14,282 | 44,304 |
| Total net position | \$ 80,053 | \$ 100,527 |

The net position related to Regional Safe Schools, McKinney Education for Homeless Children, and ROE/ISC are restricted for educational purposes by grant agreements or contracts. General Education Development, Bus Driver Training, 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, 2015

Changes in net position

The ROE's total revenues for the fiscal year ended June 30, 2015 were \$695,725. The total cost of all programs and services was \$704,472. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and 2014.

| Revenues: | 2015 | 2014 |
|--------------------------------|------------------|-------------------|
| Program revenues | | |
| Operating grants | \$ 347,791 | \$ 311,471 |
| General revenues | | |
| Local sources | 36,653 | 38,004 |
| State sources | 834 | 834 |
| Interest | 34 | 36 |
| On-behalf payments | 310,413 | 378,152 |
| Total revenues | 695,725 | 728,497 |
| | | |
| Expenses: | | |
| Instructional services | | |
| Salaries & benefits | 278,231 | 236,748 |
| Purchased services | 99,044 | 54,842 |
| Supplies and materials | 3,564 | 24,919 |
| Depreciation | 1,833 | 2,845 |
| Capital outlay | - | 1,854 |
| Payments to other governments | 11,344 | 9,339 |
| Pension expense | 43 | - |
| Administrative | | |
| On-behalf payments | 310,413 | 378,152 |
| Total expenses | 704,472 | 708,699 |
| Change in net position | (8,747) | 19,798 |
| Net position, beginning | 100,527 | 80,729 |
| Prior period adjustment | (11,727) | - |
| Net position, ending | \$ 80,053 | \$ 100,527 |

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

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.

| | 2015 | | 2014 | |
|-------------------------|-------------------|--------------------------|-------------------|--------------------------|
| | Total Expenses | Net (Expense) Revenue | Total Expenses | Net (Expense) Revenue |
| Instructional | \$ 394,059 | \$ (46,268) | \$ 330,547 | \$ (19,076) |
| Administrative services | 310,413 | (310,413) | 378,152 | (378,152) |
| Total expenses | \$ 704,472 | \$ (356,681) | \$ 708,699 | \$ (397,228) |

The net cost of governmental activities, \$356,681, was financed by general revenue, which is primarily on-behalf payments, \$310,413, and local, \$36,653, 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, unassigned 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 \$88,180, a decrease of \$11,213. Included in this is a decrease of \$18,784 in the General Fund due to an increase in salaries and benefits and an increase of \$10,798 in the Institute Fund due to the recognition of prior unearned revenue.

Budgetary Highlights

The Knox County Regional Office of Education #33 annually adopts budgets for several funds. All grant budgets are prepared by the Knox County Regional Office of Education #33 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency. Schedules showing the budget amounts compared to the Regional Office’s actual financial activity are included in the supplementary information of this report.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Capital Assets

As of June 30, 2015, the Knox County Regional Office of Education #33's total capital assets were \$34,936, comprised mainly of school and office furniture and equipment. There were \$3,810 of additions from the previous year. There were no disposals of capital assets from the previous year. Total accumulated depreciation as of June 30, 2015 was \$31,825 and total depreciation expense for the year was \$1,833, resulting in total net capital assets of \$3,111.

Additional information of the ROE's capital assets can be found in Note 6 on page 43 of this report.

Current and Future Issues

Knox County Regional Office of Education #33 is financially stable. The current administration considers it a fiscal responsibility to operate within available fund limits; therefore, not incurring any 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 offset its financial health in the future.

- Due to the consolidation of ROE #33 and ROE #27 on July 1, 2015, future funding will be structured differently. Some grants, such as ROE/ISC Operations and General State Aid, will increase. However, these are not increasing twofold.
- With the consolidation of the two ROE's as noted above, ROE #33 will operate two Alternative Schools. However, there will be a reduction in staff and salaries to assist in maintaining the new budget amounts.
- A new TAOEP grant will be written to accommodate the addition of Henderson-Mercer-Warren Counties, which was previously with ROE #27.

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 Henderson-Knox-Mercer-Warren Counties Regional Office of Education, 309-734-6822.

BASIC FINANCIAL STATEMENTS

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
STATEMENT OF NET POSITION
June 30, 2015

| | Primary Government Governmental Activities |
|--|--|
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | \$ 90,204 |
| Due from other governmental units and agencies | 4,246 |
| Total Current Assets | 94,450 |
| Noncurrent Assets: | |
| Capital assets, net of depreciation | 3,111 |
| Total Noncurrent Assets | 3,111 |
| TOTAL ASSETS | 97,561 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pensions | 537 |
| Total Deferred Outflows of Resources | 537 |
| LIABILITIES | |
| Current Liabilities: | |
| Accrued payroll and related liabilities | 6,270 |
| Total Current Liabilities | 6,270 |
| Noncurrent Liabilities: | |
| Net pension liability | 8,691 |
| Total Noncurrent Liabilities | 8,691 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to pensions | 3,084 |
| Total Deferred Inflows of Resources | 3,084 |
| NET POSITION | |
| Net investment in capital assets | 3,111 |
| Unrestricted | 14,282 |
| Restricted - Other | 62,660 |
| TOTAL NET POSITION | \$ 80,053 |

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, 2015

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues Operating Grants | Net (Expenses)/Revenues and Changes in Net Position Primary Government Governmental Activities |
|---|------------|---|--|
| Primary government: | | | |
| Governmental Activities: | | | |
| Instructional Services: | | | |
| Salaries and benefits | \$ 278,231 | \$ 262,035 | \$ (16,196) |
| Purchased services | 99,044 | 81,605 | (17,439) |
| Supplies and materials | 3,564 | 1,633 | (1,931) |
| Payments to other governments | 11,344 | 1,344 | (10,000) |
| Depreciation | 1,833 | - | (1,833) |
| Capital outlay | - | 1,174 | 1,174 |
| Pension expense | 43 | - | (43) |
| Administrative: | | | |
| On-behalf payments | 310,413 | - | (310,413) |
| Total Governmental Activities | \$ 704,472 | \$ 347,791 | \$ (356,681) |
| General revenues: | | | |
| Local sources | | | 36,653 |
| State sources | | | 834 |
| Interest | | | 34 |
| On-behalf payments | | | 310,413 |
| Total general revenues | | | 347,934 |
| Change in net position | | | (8,747) |
| Net position - beginning (restated - See Note 13) | | | 88,800 |
| Net position - ending | | | \$ 80,053 |

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, 2015

| | General Fund | Education Fund | Institute Fund | Other Non-Major Funds | Total Governmental Funds |
|---|------------------|-------------------|-------------------|-----------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 22,069 | \$ 6,374 | \$ 53,195 | \$ 8,566 | \$ 90,204 |
| Due from other funds | 9,721 | - | - | - | 9,721 |
| Due from other governmental units and agencies | - | 4,246 | - | - | 4,246 |
| Total assets | <u>31,790</u> | <u>10,620</u> | <u>53,195</u> | <u>8,566</u> | <u>104,171</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| | <u>\$ 31,790</u> | <u>\$ 10,620</u> | <u>\$ 53,195</u> | <u>\$ 8,566</u> | <u>\$ 104,171</u> |
| LIABILITIES | | | | | |
| Accrued payroll and related liabilities | \$ 6,270 | \$ - | \$ - | \$ - | \$ 6,270 |
| Due to other funds | - | 9,721 | - | - | 9,721 |
| Total liabilities | <u>6,270</u> | <u>9,721</u> | <u>-</u> | <u>-</u> | <u>15,991</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Restricted | - | 10,620 | 53,195 | 8,566 | 72,381 |
| Assigned | 420 | - | - | - | 420 |
| Unassigned | 25,100 | (9,721) | - | - | 15,379 |
| Total fund balances | <u>25,520</u> | <u>899</u> | <u>53,195</u> | <u>8,566</u> | <u>88,180</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| | <u>\$ 31,790</u> | <u>\$ 10,620</u> | <u>\$ 53,195</u> | <u>\$ 8,566</u> | <u>\$ 104,171</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 POSITION
GOVERNMENTAL FUNDS
June 30, 2015

| | | |
|--|----|--------|
| Total fund balances - governmental funds | \$ | 88,180 |
|--|----|--------|

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

| | | |
|--|--|-------|
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. | | 3,111 |
|--|--|-------|

| | | |
|---|--|---------|
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. | | |
| Net pension liability | | (8,691) |

| | | |
|---|---------|---------|
| Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds as follows: | | |
| Deferred outflows of resources | 537 | |
| Deferred inflows of resources | (3,084) | (2,547) |
| | | |

| | | |
|---|----|--------|
| Net position of governmental activities | \$ | 80,053 |
|---|----|--------|

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, 2015

| | General Fund | Education Fund | Institute Fund | Other Non-Major Funds | Total Governmental Funds |
|--|------------------|-------------------|-------------------|-----------------------------|--------------------------------|
| Revenues: | | | | | |
| Local sources | \$ 12,386 | \$ 236 | \$ 22,359 | \$ 1,672 | \$ 36,653 |
| State sources | 113,507 | 181,350 | - | 834 | 295,691 |
| Federal sources | - | 52,934 | - | - | 52,934 |
| Interest | 29 | - | 5 | - | 34 |
| On-behalf payments | 266,776 | - | - | - | 266,776 |
| Total revenues | 392,698 | 234,520 | 22,364 | 2,506 | 652,088 |
| Expenditures: | | | | | |
| Instructional services: | | | | | |
| Salaries and benefits | 116,903 | 158,816 | 1,093 | 1,419 | 278,231 |
| Purchased services | 22,626 | 73,251 | 334 | 2,833 | 99,044 |
| Supplies and materials | 2,009 | 1,036 | 139 | 380 | 3,564 |
| Payments to other governments | - | 1,344 | 10,000 | - | 11,344 |
| Pension expense | 532 | - | - | - | 532 |
| On-behalf payments | 266,776 | - | - | - | 266,776 |
| Capital outlay | 2,636 | 1,174 | - | - | 3,810 |
| Total expenditures | 411,482 | 235,621 | 11,566 | 4,632 | 663,301 |
| Excess (deficiency) of revenues over (under) expenditures | (18,784) | (1,101) | 10,798 | (2,126) | (11,213) |
| Other financing sources (uses): | | | | | |
| Transfers in | 9 | - | - | - | 9 |
| Transfers out | (9) | - | - | - | (9) |
| Total other financing sources and (uses) | - | - | - | - | - |
| Net change in fund balances | (18,784) | (1,101) | 10,798 | (2,126) | (11,213) |
| Fund balances - beginning of year | 44,304 | 2,000 | 42,397 | 10,692 | 99,393 |
| Fund balances - end of year | \$ 25,520 | \$ 899 | \$ 53,195 | \$ 8,566 | \$ 88,180 |

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, 2015

Net change in fund balances \$ (11,213)

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 | 3,810 | |
| Depreciation expense | <u>(1,833)</u> | 1,977 |

Certain expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

| | | |
|-----------------|--|-----|
| Pension expense | | 489 |
|-----------------|--|-----|

| | |
|---|------------|
| Change in net position of governmental activities | \$ (8,747) |
|---|------------|

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

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

| | <u>Agency Funds</u> |
|---------------------------|-------------------------|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 1,064</u> |
| Total Assets | <u><u>\$ 1,064</u></u> |
| LIABILITIES | |
| Due to others | <u>\$ 1,064</u> |
| Total Liabilities | <u><u>\$ 1,064</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, 2015

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, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the period ended June 30, 2015, 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 Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government.

The Statement of Net Position presents the Knox County Regional Office of Education #33 nonfiduciary assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position.

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, 2015

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

Knox County Registrations – To provide funds for workshops, seminars, and classes held throughout the school year.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

School Directory – To provide funds for the production of a Knox County School Directory based on advertising sales, to be distributed among the schools in Knox County.

Knox County Academy Dream Project – To provide funds for new technology and furniture for the ROE's Knox County Academy.

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.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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.

Title I School Improvement and Accountability Part A – SSOS – To provide funds to schools with high numbers or high percentages of children from low-income families to help ensure that all children meet challenging state academic standards.

Institute Fund – To account for fees collected for the registration and renewal of teaching licenses. 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.

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, 2015

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 deferred outflows of resources, and liabilities and deferred inflows of resources 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 position that is 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 position that is subject to external enforceable legal restrictions. The following accounts fund balances are restricted by grant agreements or contracts: Regional Safe Schools, McKinney Education for Homeless Children, and ROE/ISC. The following funds are restricted by Illinois Statute: General Education Development, Bus Driver Training, and Institute.

Committed Fund Balance – The portion of a Governmental Fund’s net position with self-imposed constraints or limitations that has 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 position 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, Drop Out Summit, and Knox County Registrations.

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 and the negative fund balance for Truants Alternative Education and Western Illinois Investment Grant.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

EQUITY CLASSIFICATIONS (Continued)

Net position

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

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation.

Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment 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 inflows of resources 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, 2015

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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
- Title II Teacher Quality Leadership
- Title I School Improvement and Accountability Part A – SSOS

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, 2015

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 Position. 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.

UNEARNED REVENUES

Unearned 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.

CASH AND CASH EQUIVALENTS

The ROE considers all investments with a maturity of three months or less when purchased to be cash equivalents.

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.

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.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Position.

DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments and the changes in proportion and differences between employer contributions and proportionate share of contributions.

NEW ACCOUNTING STANDARDS

In fiscal year 2015, the ROE implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The ROE implemented these standards during the current year; however, GASB Statement No. 69 did not have a material impact on the financial statements. The implementation of GASB Statements No. 68 and 71 established standards for measuring and recognizing liabilities/assets, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions.

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.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTERGOVERNMENTAL AGREEMENT (Continued)

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

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. 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.

At June 30, 2015, the carrying amount of the ROE's various bank deposits totaled \$91,268 and the bank balances totaled \$98,500. Included in the bank balance is \$35,666 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.

Custodial credit risk is the risk that in the event of a bank failure, the ROE's deposits may not be returned to it. The ROE has a deposit policy for custodial credit risk. As of June 30, 2015, all of the deposits made by the ROE were covered by the Federal Depository Insurance Corporation (FDIC).

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

3. RECEIVABLES/PAYABLES

Receivables for the Knox County ROE #33 at June 30, 2015, are as follows:

| | Due from Other Governmental Units and Agencies | Other | Total |
|-------------------------------|--|-------|----------|
| Governmental activities: | | | |
| Education | \$ 4,246 | \$ - | \$ 4,246 |
| Total governmental activities | \$ 4,246 | \$ - | \$ 4,246 |

Payables for the Knox County ROE #33 at June 30, 2015, are as follows:

| | Accrued Payroll and Related Liabilities | Other | Total |
|-------------------------------|--|-------|----------|
| Governmental activities: | | | |
| General | \$ 6,270 | \$ - | \$ 6,270 |
| Total governmental activities | \$ 6,270 | \$ - | \$ 6,270 |

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 | \$ 4,246 |
|-----------------------------------|----------|

There are no amounts due to other governmental units at June 30, 2015.

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

| | |
|------------------------|----------|
| Knox County | \$ 815 |
| Local School Districts | 249 |
| | \$ 1,064 |

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015 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 | \$ 9,721 | \$ - |
| Education Fund: | | |
| Truants Alternative Education | - | 4,594 |
| Western Illinois Investment Grant | - | 5,127 |
| Total | \$ 9,721 | \$ 9,721 |

INTERFUND TRANSFERS

During the year ended June 30, 2015, the ROE made a transfer between funds to move money to the proper fund. The amounts transferred between accounts are shown as transfers in the Statement of Revenues, Expenditures, and Changes in Fund Balances and Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances. The detail of the interfund transfer for the year ended June 30, 2015 is as follows:

| | Transfers In | Transfers Out |
|---------------------------|--------------|---------------|
| General Fund: | | |
| Knox County Registrations | \$ 9 | \$ - |
| General Fund: | | |
| Workshops | - | 9 |
| Total | \$ 9 | \$ 9 |

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

6. CAPITAL ASSETS

Capital asset activity during the fiscal year ended June 30, 2015 was as follows:

| | Balance 07/01/14 | Additions | Disposals | Balance 06/30/15 |
|-------------------------------|---------------------|-----------|-----------|---------------------|
| Equipment | \$ 31,126 | \$ 3,810 | \$ - | \$ 34,936 |
| Less accumulated depreciation | (29,992) | (1,833) | - | (31,825) |
| Total | \$ 1,134 | \$ 1,977 | \$ - | \$ 3,111 |

All capital assets are reported within the instructional services function of the governmental activities of the ROE. \$1,833 of depreciation expense has been reflected in the Statement of Activities for the year ended June 30, 2015.

7. RETIREMENT PLANS

Teachers' Retirement System of the State of Illinois

Plan Description

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. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. 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 TRS Board of Trustees is responsible for the System's administration.

TRS issues a publicly available financial report that can be obtained at <http://trs.illinois.gov/pubs/cafr>; by writing to TRS at 2815 W. Washington, P.O. Box 19253, Springfield, Illinois 62794; or by calling (888) 877-0890, option 2.

Benefits Provided

TRS provides retirement, disability, and death benefits. Tier I members have TRS or reciprocal system service prior to January 1, 2011. Tier I members qualify for retirement benefits at age 62 with five years of service, at age 60 with 10 years, or age 55 with 20 years. The benefit is determined by the average of the four highest years of creditable earnings within the last 10 years of creditable service and the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2 percent of final average salary up to a maximum of 75 percent with 34 years of service. Disability and death benefits are also provided.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

RETIREMENT PLANS (Continued)

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

Tier II members qualify for retirement benefits at age 67 with 10 years of service, or a discounted annuity can be paid at age 62 with 10 years of service. Creditable earnings for retirement purposes are capped and the final average salary is based on the highest consecutive eight years of creditable service rather than the last four. Disability provisions for Tier II are identical to those of Tier I. Death benefits are payable under a formula that is different from Tier I.

Essentially all Tier I retirees receive an annual 3 percent increase in the current retirement benefit beginning January 1 following the attainment of age 61 or on January 1 following the member's first anniversary in retirement, whichever is later. Tier II annual increases will be the lesser of three percent of the original benefit or one-half percent of the rate of inflation beginning January 1 following attainment of age 67 or on January 1 following the member's first anniversary in retirement, whichever is later.

Contributions

The State of Illinois maintains the primary responsibility for funding TRS. The Illinois Pension Code, as amended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90 percent of the total actuarial liabilities of the System by the end of fiscal year 2045.

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2015 was 9.4 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the ROE.

- On-behalf Contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the ROE. For the year ended June 30, 2015, State of Illinois contributions recognized by the ROE were based on the State's proportionate share of the collective net pension liability associated with the ROE, and the ROE recognized revenue and expenditures of \$43,637 in pension contributions from the State of Illinois.
- 2.2 Formula Contributions. Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2015 were \$532, and are deferred because they were paid after the June 30, 2014 measurement date.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

RETIREMENT PLANS (Continued)

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

- 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 has been in effect since 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. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2015, the employer pension contribution was 33.00 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2015, salaries totaling \$-0- were paid from federal and special trust funds that required employer contributions of \$-0-.

- Employer Retirement Cost Contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The ROE is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the current program is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2015, the ROE paid no employer ERO contributions to TRS.

The ROE is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2015, the ROE made no payments to TRS for employer contributions due on salary increases in excess of 6 percent and no payments for sick leave days granted in excess of the normal annual allotment.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the ROE reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for State pension support provided to the employer. The State's support and total are for disclosure purposes only. The amount recognized by the employer as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the employer were as follows:

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

RETIREMENT PLANS (Continued)

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

| | |
|--|--------------------------|
| Employer's proportionate share of the net pension liability | \$ 8,691 |
| State's proportionate share of the net pension liability associated with the employer | <u>542,002</u> |
| Total | <u><u>\$ 550,693</u></u> |

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, and rolled forward to June 30, 2014. The ROE's proportion of the net pension liability was based on the employer's share of contributions to TRS for the measurement year ended June 30, 2014, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2014, the ROE's proportion was 0.0000142813 percent.

The net pension liability as of the beginning of this first measurement period under GASB Statement No. 68 was measured as of June 30, 2013, and the total pension liability was based on the June 30, 2013, actuarial valuation without any roll-up. The ROE's proportion of the net pension liability as of June 30, 2013, was based on the ROE's share of contributions to TRS for the measurement year ended June 30, 2013, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2013, the ROE's proportion was 0.0000195327 percent.

For the year ended June 30, 2015, the ROE recognized pension expense of \$43,637 and revenue of \$43,637 for support provided by the State. For the year ended June 30, 2015, the ROE recognized pension expense of \$43. At June 30, 2015, the ROE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

RETIREMENT PLANS (Continued)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 5 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | - | 437 |
| Change of assumptions | - | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 2,647 |
| Employer contributions subsequent to the measurement date | 532 | - |
| Total | \$ 537 | \$ 3,084 |

\$532 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|---------------------|----------|
| 2016 | \$ (751) |
| 2017 | (751) |
| 2018 | (751) |
| 2019 | (751) |
| 2020 | (77) |

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------------|---|
| Inflation | 3.00 percent |
| Salary increases | 5.75 percent, average, including inflation |
| Investment rate of return | 7.50 percent, net of pension plan investment expense, including inflation |

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

RETIREMENT PLANS (Continued)

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

Mortality rates were based on the RP-2000 White Collar Table with projections using scale AA that vary by member group.

For GASB disclosure purposes, the actuarial assumptions for the years ended June 30, 2014 and 2013 were assumed to be the same. However, for funding purposes, the actuarial valuations for those two years were different. The actuarial assumptions used in the June 30, 2014 valuation were based on updates to economic assumptions adopted in 2014 which lowered the investment return assumption from 8.0 percent to 7.5 percent. The salary increase and inflation assumptions were also lowered. The actuarial assumptions used in the June 30, 2013 valuation were based on the 2012 actuarial experience analysis and first adopted in the June 30, 2012 valuation. The investment return assumption was lowered from 8.5 percent to 8.0 percent and the salary increase and inflation assumptions were also lowered. Mortality assumptions were adjusted to anticipate continued improvement in mortality.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class that were used by the actuary are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------------|------------------------------|---|
| U.S. large cap | 18% | 8.23% |
| Global equity excluding U.S. | 18 | 8.58 |
| Aggregate bonds | 16 | 2.27 |
| U.S. TIPS | 2 | 3.52 |
| NCREIF | 11 | 5.81 |
| Opportunistic real estate | 4 | 9.79 |
| ARS | 8 | 3.27 |
| Risk parity | 8 | 5.57 |
| Diversified inflation strategy | 1 | 3.96 |
| Private equity | 14 | 13.03 |
| Total | <u>100%</u> | |

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

RETIREMENT PLANS (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and State contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier I's liability is partially-funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. Therefore, the long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the ROE's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the ROE's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the ROE's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|--|-------------------------------|---|-------------------------------|
| Employer's proportionate share of the net pension liability | \$ 10,733 | \$ 8,691 | \$ 7,000 |

TRS Fiduciary Net Position

Detailed information about the TRS's fiduciary net position as of June 30, 2014 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

8. OTHER POST-EMPLOYMENT 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 post-employment 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 not enrolled in Medicare may participate in the state-administered participating provider option plan or choose from several managed care options. Annuitants who are enrolled in Medicare Parts A and B may be eligible to enroll in a Medicare Advantage plan.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of the THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the state to make a contribution to the 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 the 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 the THIS Fund from active members which were 1.02 percent of pay during the year ended June 30, 2015. State of Illinois contributions were \$936, 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, 2014 and 2013 were 0.97 and 0.92 percent of pay, respectively. State contributions on behalf of ROE employees were \$852 and \$876, respectively.

- Employer contributions to the THIS Fund. The ROE also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.76 percent during the year ended June 30, 2015 and 0.72 and 0.69 percent during the years ended June 30, 2014 and 2013, respectively. For the year ended June 30, 2015, the ROE paid \$697 to the THIS Fund, which was 100 percent of the required contribution. For the years ended June 30, 2014 and 2013, the ROE paid \$633 and \$657, respectively, which was 100 percent of the required contribution.

KNOX COUNTY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2015

OTHER POST-EMPLOYMENT BENEFITS (Continued)

Teacher Health Insurance Security Fund (Continued)

Further Information on the THIS Fund

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General: <http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>. The current reports are listed under “Central Management Services.” Prior reports are available under “Healthcare and Family Services.”

9. ON-BEHALF PAYMENTS AND RELATED PARTY TRANSACTIONS

The State of Illinois paid the following salaries, benefits, and contributions on-behalf of the ROE:

| | |
|--|-------------------|
| State of Illinois | |
| THIS contributions | \$ 936 |
| Regional Superintendent – salary | 106,356 |
| Regional Superintendent – benefits (includes State paid insurance) | 32,317 |
| Assistant Regional Superintendent – salary | 95,736 |
| Assistant Regional Superintendent – benefits (includes State paid insurance) | <u>6,029</u> |
| Total | \$ <u>241,374</u> |

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education (ISBE). The on-behalf payments are reflected as revenues and expenditures of the General Fund.

Knox County paid the following salaries and benefits on-behalf of the ROE:

| | |
|--------------|------------------|
| Knox County: | |
| Salaries | \$ 21,291 |
| Benefits | <u>4,111</u> |
| Total | \$ <u>25,402</u> |

The above salary and benefit data for other employees of the ROE was calculated based on data provided by Knox County. The on-behalf payments are reflected as revenues and expenditures of the General Fund.

The ROE also recorded \$43,637 in revenue and expenses as on-behalf payments from ISBE for the ROE’s share of the State’s Teachers’ Retirement System (TRS) pension expense in the Statement of Activities. In addition, the ROE has not included any on-behalf payments related to the State’s TRS pension expense for the Regional Superintendent or Assistant Regional Superintendent.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

ON-BEHALF PAYMENTS AND RELATED PARTY TRANSACTIONS (Continued)

| | |
|--|------------------|
| State of Illinois on-behalf payments | \$241,374 |
| Knox County on-behalf payments | 25,402 |
| ROE #33's share of TRS pension expense | <u>43,637</u> |
| Total | <u>\$310,413</u> |

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. The following funds had a deficit fund balance at June 30, 2015.

| <u>Fund</u> | <u>Amount</u> |
|-----------------------------------|---------------|
| Truants Alternative Education | \$ 4,594 |
| Western Illinois Investment Grant | 5,127 |

B. The following fund had an excess of actual expenditures over budget for the year ended June 30, 2015.

| <u>Fund</u> | <u>Budget Amount</u> | <u>Expenditures</u> | <u>Unfavorable Variance</u> |
|-----------------------|--------------------------|---------------------|---------------------------------|
| Regional Safe Schools | \$ 46,716 | \$ 56,948 | \$ 10,232 |

11. OPERATING LEASE

The ROE entered into a lease with Losey Street Properties in Galesburg for the use of its classroom space for the Knox County Academy. The lease term is from August 1, 2014 to July 31, 2015. The rent paid for this term was \$12,600.

On August 18, 2015, the ROE entered into a new lease with M.A.K. Properties of Illinois, LLC in Galesburg for the use of building space for the Knox County Academy. The lease term is from August 18, 2015 to August 17, 2017 with monthly payments of \$1,200 due on or before the first day of each month. There is an option to extend the lease for one additional year by giving written notice to the landlord no less than ninety days prior to expiration of the original term. The future minimum lease payments for the fiscal years ending June 30, 2016, 2017, and 2018 are \$12,542, \$14,400, and \$1,858, respectively.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

12. REGIONAL OFFICE OF EDUCATION CONSOLIDATION

On November 22, 2013, the Illinois State Board of Education adopted a motion pursuant to its obligation under 105 ILCS 5/3A-4(a), which recognizes consolidations agreed to via county board resolutions prior to June 30, 2013. Effective July 1, 2015, Henderson County, Mercer County, and Warren County will be included in the Regional Office of Education #33.

13. PRIOR PERIOD ADJUSTMENT

In the fiscal year ending June 30, 2015, the ROE adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*. This statement establishes new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position may include a significant liability for the government’s proportionate share of the employee pension plan. The effect of this change is shown in the table below. The financial statements for the fiscal year ending June 30, 2014 have been retroactively restated for the change.

| | Governmental Activities |
|---|----------------------------|
| Beginning net position as previously reported at June 30, 2014 | \$ 100,527 |
| Prior period adjustment - implementation of GASB 68: | |
| Net pension liability (measurement date 2013) | (12,237) |
| Deferred outflows - employer contributions subsequent to the 2013 measurement date | 510 |
| Total prior period adjustment | (11,727) |
| Net position as restated, July 1, 2014 | \$ 88,800 |

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

KNOX COUNTY
 REGIONAL OFFICE OF EDUCATION #33
 SCHEDULE OF THE EMPLOYER'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
 FOR THE YEAR ENDED JUNE 30, 2015

| | 2015 |
|---|---------------|
| Employer's proportion of the net pension liability | 0.0000142813% |
| Employer's proportionate share of the net pension liability | \$ 8,691 |
| State's proportionate share of the net pension liability associated with the employer | 542,002 |
| Total | \$ 550,693 |
| Employer's covered-employee payroll | \$ 112,850 |
| Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 7.7% |
| Plan fiduciary net position as a percentage of the total pension liability | 43.0% |

*The amounts presented were determined as of the prior fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
FOR THE YEAR ENDED JUNE 30, 2015

| | 2015 | 2014 |
|---|-----------|------------|
| Contractually required contribution | \$ 532 | \$ 510 |
| Contributions in relation to the contractually-required contribution | 532 | 510 |
| Contribution deficiency (excess) | \$ - | \$ - |
| Employer's covered-employee payroll | \$ 91,775 | \$ 112,850 |
| Contributions as a percentage of covered-employee payroll | 0.58% | 0.45% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION

NOTES TO REQUIRED
SUPPLEMENTARY INFORMATION

June 30, 2015

1. CHANGES OF ASSUMPTIONS

Amounts reported in 2014 reflect an investment rate of return of 7.5 percent, an inflation rate of 3.0 percent and real return of 4.5 percent, and a salary increase assumption of 5.75 percent. In 2013, assumptions used were an investment rate of return of 8.0 percent, an inflation rate of 3.25 percent and real return of 4.75 percent, and salary increases of 6.00 percent. However, the total pension liability at the beginning and end of the year was calculated using the same assumptions, so the difference due to actuarial assumptions was not calculated or allocated.

SUPPLEMENTAL INFORMATION

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2015

| | ROE #33 Fund | General State Aid | Workshops | Drop Out Summit |
|--|-----------------|----------------------|---------------|--------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ 21,649 | \$ 235 | \$ 5 |
| Due from other funds | - | 9,721 | - | - |
| Total Assets | <u>-</u> | <u>31,370</u> | <u>235</u> | <u>5</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | |
| | <u>\$ -</u> | <u>\$ 31,370</u> | <u>\$ 235</u> | <u>\$ 5</u> |
| LIABILITIES | | | | |
| Accrued payroll and related liabilities | \$ - | \$ 6,270 | \$ - | \$ - |
| Total Liabilities | <u>-</u> | <u>6,270</u> | <u>-</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE | | | | |
| Assigned | - | - | 235 | 5 |
| Unassigned | - | 25,100 | - | - |
| Total Fund Balance | <u>-</u> | <u>25,100</u> | <u>235</u> | <u>5</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCE | | | | |
| | <u>\$ -</u> | <u>\$ 31,370</u> | <u>\$ 235</u> | <u>\$ 5</u> |

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2015

| | Knox County Registrations | School Directory | Knox County Academy Dream Project | Total |
|--|------------------------------|---------------------|---|------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 180 | \$ - | \$ - | \$ 22,069 |
| Due from other funds | - | - | - | 9,721 |
| Total Assets | <u>180</u> | <u>-</u> | <u>-</u> | <u>31,790</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | |
| | <u>\$ 180</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 31,790</u> |
| LIABILITIES | | | | |
| Accrued payroll and related liabilities | \$ - | \$ - | \$ - | \$ 6,270 |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,270</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE | | | | |
| Assigned | 180 | - | - | 420 |
| Unassigned | - | - | - | 25,100 |
| Total Fund Balance | <u>180</u> | <u>-</u> | <u>-</u> | <u>25,520</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCE | | | | |
| | <u>\$ 180</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 31,790</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, 2015

| | ROE #33 Fund | General State Aid | Workshops | Drop Out Summit |
|--|-----------------|----------------------|---------------|--------------------|
| REVENUES | | | | |
| Local sources | \$ - | \$ 1,724 | \$ 1,123 | \$ 6,500 |
| State sources | - | 113,507 | - | - |
| Interest | - | 29 | - | - |
| On-behalf payments | 266,776 | - | - | - |
| | <u>266,776</u> | <u>115,260</u> | <u>1,123</u> | <u>6,500</u> |
| Total revenues | | | | |
| | <u>266,776</u> | <u>115,260</u> | <u>1,123</u> | <u>6,500</u> |
| EXPENDITURES | | | | |
| Salaries and benefits | - | 108,153 | - | 8,147 |
| Purchased services | - | 8,940 | 2,102 | 2,973 |
| Supplies and materials | - | 627 | - | 698 |
| Payments to other governments | - | - | - | - |
| Pension expense | - | 532 | - | - |
| Capital Outlay | - | - | - | - |
| On-behalf payments | 266,776 | - | - | - |
| | <u>266,776</u> | <u>118,252</u> | <u>2,102</u> | <u>11,818</u> |
| Total expenditures | | | | |
| | <u>266,776</u> | <u>118,252</u> | <u>2,102</u> | <u>11,818</u> |
| Excess (deficiency) of revenues over (under) expenditures | - | (2,992) | (979) | (5,318) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | (9) | - |
| | <u>-</u> | <u>-</u> | <u>(9)</u> | <u>-</u> |
| Total other financing sources and (uses) | | | | |
| | <u>-</u> | <u>-</u> | <u>(9)</u> | <u>-</u> |
| Net change in fund balances | - | (2,992) | (988) | (5,318) |
| FUND BALANCE AT BEGINNING OF YEAR | | | | |
| | <u>-</u> | <u>28,092</u> | <u>1,223</u> | <u>5,323</u> |
| FUND BALANCE AT END OF YEAR | | | | |
| | <u>\$ -</u> | <u>\$ 25,100</u> | <u>\$ 235</u> | <u>\$ 5</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, 2015

| | Knox County Registrations | School Directory | Knox County Academy Dream Project | Total |
|--|------------------------------|---------------------|---|------------------|
| REVENUES | | | | |
| Local sources | \$ 459 | \$ 2,580 | \$ - | \$ 12,386 |
| State sources | - | - | - | 113,507 |
| Interest | - | - | - | 29 |
| On-behalf payments | - | - | - | 266,776 |
| | <u>459</u> | <u>2,580</u> | <u>-</u> | <u>392,698</u> |
| EXPENDITURES | | | | |
| Salaries and benefits | - | 603 | - | 116,903 |
| Purchased services | 18 | 8,323 | 270 | 22,626 |
| Supplies and materials | 307 | 283 | 94 | 2,009 |
| Payments to other governments | - | - | - | - |
| Pension expense | - | - | - | 532 |
| Capital Outlay | - | - | 2,636 | 2,636 |
| On-behalf payments | - | - | - | 266,776 |
| | <u>325</u> | <u>9,209</u> | <u>3,000</u> | <u>411,482</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>134</u> | <u>(6,629)</u> | <u>(3,000)</u> | <u>(18,784)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 9 | - | - | 9 |
| Transfers out | - | - | - | (9) |
| | <u>9</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources and (uses) | <u>9</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 143 | (6,629) | (3,000) | (18,784) |
| FUND BALANCE AT BEGINNING OF YEAR | | | | |
| | <u>37</u> | <u>6,629</u> | <u>3,000</u> | <u>44,304</u> |
| FUND BALANCE AT END OF YEAR | | | | |
| | <u>\$ 180</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 25,520</u> |

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2015

| | Regional Safe Schools | Truants Alternative Education | McKinney Education for Homeless Children | Western Illinois Investment Grant |
|--|-----------------------------|-------------------------------------|---|--|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 6,145 | \$ - | \$ 11 | \$ - |
| Due from other governmental units and agencies | 4,246 | - | - | - |
| Total Assets | <u>10,391</u> | <u>-</u> | <u>11</u> | <u>-</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | |
| | <u>\$ 10,391</u> | <u>\$ -</u> | <u>\$ 11</u> | <u>\$ -</u> |
| LIABILITIES | | | | |
| Due to other funds | \$ - | \$ 4,594 | \$ - | \$ 5,127 |
| Total Liabilities | <u>-</u> | <u>4,594</u> | <u>-</u> | <u>5,127</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE (DEFICIT) | | | | |
| Restricted | 10,391 | - | 11 | - |
| Unassigned | - | (4,594) | - | (5,127) |
| Total Fund Balance (Deficit) | <u>10,391</u> | <u>(4,594)</u> | <u>11</u> | <u>(5,127)</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCE | | | | |
| | <u>\$ 10,391</u> | <u>\$ -</u> | <u>\$ 11</u> | <u>\$ -</u> |

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2015

| | ROE/ISC | Title II Teacher Quality Leadership | Title I School Improvement and Accountability Part A - SSOS | Total |
|--|---------------|--|---|------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 218 | \$ - | \$ - | \$ 6,374 |
| Due from other governmental units and agencies | - | - | - | 4,246 |
| Total Assets | <u>218</u> | <u>-</u> | <u>-</u> | <u>10,620</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | |
| | <u>\$ 218</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,620</u> |
| LIABILITIES | | | | |
| Due to other funds | \$ - | \$ - | \$ - | \$ 9,721 |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,721</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE (DEFICIT) | | | | |
| Restricted | 218 | - | - | 10,620 |
| Unassigned | - | - | - | (9,721) |
| Total Fund Balance (Deficit) | <u>218</u> | <u>-</u> | <u>-</u> | <u>899</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCE | | | | |
| | <u>\$ 218</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,620</u> |

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, 2015

| | Regional Safe Schools | Truants Alternative Education | McKinney Education for Homeless Children | Western Illinois Investment Grant |
|--|-----------------------------|-------------------------------------|---|--|
| REVENUES | | | | |
| Local sources | \$ 236 | \$ - | \$ - | \$ - |
| State sources | 46,830 | 79,848 | - | - |
| Federal sources | 9,265 | - | 6,609 | 28,959 |
| Total revenues | <u>56,331</u> | <u>79,848</u> | <u>6,609</u> | <u>28,959</u> |
| EXPENDITURES | | | | |
| Salaries and benefits | 46,044 | 78,729 | 4,440 | 25,258 |
| Purchased services | 10,876 | 1,119 | 825 | 3,887 |
| Supplies and materials | 28 | - | - | 298 |
| Payments to other governments | - | - | 1,344 | - |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>56,948</u> | <u>79,848</u> | <u>6,609</u> | <u>29,443</u> |
| Net change in fund balances | (617) | - | - | (484) |
| FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR | <u>11,008</u> | <u>(4,594)</u> | <u>11</u> | <u>(4,643)</u> |
| FUND BALANCE (DEFICIT) AT END OF YEAR | <u>\$ 10,391</u> | <u>\$ (4,594)</u> | <u>\$ 11</u> | <u>\$ (5,127)</u> |

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, 2015

| | ROE/ISC | Title II Teacher Quality Leadership | Title I School Improvement and Accountability Part A - SSOS | Total |
|--|---------------|--|---|----------------|
| REVENUES | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ 236 |
| State sources | 54,672 | - | - | 181,350 |
| Federal sources | - | 1,806 | 6,295 | 52,934 |
| | <u>54,672</u> | <u>1,806</u> | <u>6,295</u> | <u>234,520</u> |
| Total revenues | <u>54,672</u> | <u>1,806</u> | <u>6,295</u> | <u>234,520</u> |
| EXPENDITURES | | | | |
| Salaries and benefits | 4,184 | - | 161 | 158,816 |
| Purchased services | 48,680 | 1,800 | 6,064 | 73,251 |
| Supplies and materials | 634 | 6 | 70 | 1,036 |
| Payments to other governments | - | - | - | 1,344 |
| Capital outlay | 1,174 | - | - | 1,174 |
| | <u>54,672</u> | <u>1,806</u> | <u>6,295</u> | <u>235,621</u> |
| Total expenditures | <u>54,672</u> | <u>1,806</u> | <u>6,295</u> | <u>235,621</u> |
| Net change in fund balances | - | - | - | (1,101) |
| FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR | <u>218</u> | <u>-</u> | <u>-</u> | <u>2,000</u> |
| FUND BALANCE (DEFICIT) AT END OF YEAR | <u>\$ 218</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 899</u> |

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
REGIONAL SAFE SCHOOLS
For the Year Ended June 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--------------------------------------|-------------------------|---------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Local sources | \$ - | \$ - | \$ 236 | \$ 236 |
| State sources | 47,791 | 46,716 | 46,830 | 114 |
| Federal sources | - | - | 9,265 | 9,265 |
| | <u>47,791</u> | <u>46,716</u> | <u>56,331</u> | <u>9,615</u> |
| EXPENDITURES | | | | |
| Salaries and benefits | 45,575 | 44,500 | 46,044 | (1,544) |
| Purchased services | 2,216 | 2,216 | 10,876 | (8,660) |
| Supplies and materials | - | - | 28 | (28) |
| | <u>47,791</u> | <u>46,716</u> | <u>56,948</u> | <u>(10,232)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | (617) | <u>\$ (617)</u> |
| FUND BALANCE AT BEGINNING OF YEAR | | | <u>11,008</u> | |
| FUND BALANCE AT END OF YEAR | | | <u>\$ 10,391</u> | |

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, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|---------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| State sources | \$ 81,686 | \$ 79,848 | \$ 79,848 | \$ - |
| Total revenues | <u>81,686</u> | <u>79,848</u> | <u>79,848</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Salaries and benefits | 73,852 | 78,631 | 78,729 | (98) |
| Purchased services | <u>7,834</u> | <u>1,217</u> | <u>1,119</u> | <u>98</u> |
| Total expenditures | <u>81,686</u> | <u>79,848</u> | <u>79,848</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | - | <u>\$ -</u> |
| FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR | | | <u>(4,594)</u> | |
| FUND BALANCE (DEFICIT) AT END OF YEAR | | | <u>\$ (4,594)</u> | |

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
McKINNEY EDUCATION FOR HOMELESS CHILDREN
For the Year Ended June 30, 2015

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|-----------------------------------|------------------|--------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Federal sources | \$ 5,609 | \$ 6,609 | \$ 6,609 | \$ - |
| Total revenues | <u>5,609</u> | <u>6,609</u> | <u>6,609</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Salaries and benefits | 4,440 | 4,440 | 4,440 | - |
| Purchased services | 569 | 825 | 825 | - |
| Payments to other governments | <u>600</u> | <u>1,344</u> | <u>1,344</u> | <u>-</u> |
| Total expenditures | <u>5,609</u> | <u>6,609</u> | <u>6,609</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, 2015

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|-----------------------------------|------------------|---------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| State sources | \$ 54,672 | \$ 54,672 | \$ 54,672 | \$ - |
| Total revenues | <u>54,672</u> | <u>54,672</u> | <u>54,672</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Salaries and benefits | 4,969 | 4,183 | 4,184 | (1) |
| Purchased services | 39,003 | 38,664 | 48,680 | (10,016) |
| Supplies and materials | 3,500 | 4,571 | 634 | 3,937 |
| Payments to other governments | 6,000 | 6,080 | - | 6,080 |
| Capital outlay | 1,200 | 1,174 | 1,174 | - |
| Total expenditures | <u>54,672</u> | <u>54,672</u> | <u>54,672</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | - | <u>\$ -</u> |
| FUND BALANCE AT BEGINNING OF YEAR | | | <u>218</u> | |
| FUND BALANCE AT END OF YEAR | | | <u>\$ 218</u> | |

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE II TEACHER QUALITY LEADERSHIP
For the Year Ended June 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--------------------------------------|-------------------------|--------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Federal sources | \$ 1,806 | \$ 1,806 | \$ 1,806 | \$ - |
| Total revenues | <u>1,806</u> | <u>1,806</u> | <u>1,806</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Purchased services | 1,800 | 1,800 | 1,800 | - |
| Supplies and materials | <u>6</u> | <u>6</u> | <u>6</u> | <u>-</u> |
| Total expenditures | <u>1,806</u> | <u>1,806</u> | <u>1,806</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | - | <u>\$ -</u> |
| FUND BALANCE AT BEGINNING OF YEAR | | | <u>-</u> | |
| FUND BALANCE AT END OF YEAR | | | <u>\$ -</u> | |

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE I SCHOOL IMPROVEMENT AND ACCOUNTABILITY PART A - SSOS
For the Year Ended June 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--------------------------------------|-------------------------|---------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Federal sources | \$ 29,340 | \$ 29,340 | \$ 6,295 | \$ (23,045) |
| Total revenues | <u>29,340</u> | <u>29,340</u> | <u>6,295</u> | <u>(23,045)</u> |
| EXPENDITURES | | | | |
| Salaries and benefits | 1,250 | 1,250 | 161 | 1,089 |
| Purchased services | 27,260 | 27,260 | 6,064 | 21,196 |
| Supplies and materials | <u>830</u> | <u>830</u> | <u>70</u> | <u>760</u> |
| Total expenditures | <u>29,340</u> | <u>29,340</u> | <u>6,295</u> | <u>23,045</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | - | <u>\$ -</u> |
| FUND BALANCE AT BEGINNING OF YEAR | | | <u>-</u> | |
| FUND BALANCE AT END OF YEAR | | | <u>\$ -</u> | |

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2015

| | General Education Development | Bus Driver Training | Total |
|--|-------------------------------------|---------------------------|-----------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 5,827 | \$ 2,739 | \$ 8,566 |
| Total Assets | <u>5,827</u> | <u>2,739</u> | <u>8,566</u> |
| DEFERRED OUTFLOWS OF RESOURCES | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 5,827</u> | <u>\$ 2,739</u> | <u>\$ 8,566</u> |
| LIABILITIES | | | |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE | | | |
| Restricted | <u>5,827</u> | <u>2,739</u> | <u>8,566</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCE | <u>\$ 5,827</u> | <u>\$ 2,739</u> | <u>\$ 8,566</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, 2015

| | General Education Development | Bus Driver Training | Total |
|--------------------------------------|-------------------------------------|---------------------------|------------------------|
| REVENUES | | | |
| Local sources | \$ 1,528 | \$ 144 | \$ 1,672 |
| State sources | - | 834 | 834 |
| | <u>1,528</u> | <u>978</u> | <u>2,506</u> |
| EXPENDITURES | | | |
| Salaries and benefits | 1,419 | - | 1,419 |
| Purchased services | 2,033 | 800 | 2,833 |
| Supplies and materials | 380 | - | 380 |
| | <u>3,832</u> | <u>800</u> | <u>4,632</u> |
| Net change in fund balances | (2,304) | 178 | (2,126) |
| FUND BALANCE AT BEGINNING OF YEAR | <u>8,131</u> | <u>2,561</u> | <u>10,692</u> |
| FUND BALANCE AT END OF YEAR | <u><u>\$ 5,827</u></u> | <u><u>\$ 2,739</u></u> | <u><u>\$ 8,566</u></u> |

KNOX COUNTY
 REGIONAL OFFICE OF EDUCATION #33
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 AGENCY FUNDS
 June 30, 2015

| | <u>Knox County Substance Abuse Prevention Program</u> | <u>Knox County Sales Tax</u> | <u>Total</u> |
|---------------------------|---|----------------------------------|-----------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 815 | \$ 249 | \$ 1,064 |
| Total Assets | <u>\$ 815</u> | <u>\$ 249</u> | <u>\$ 1,064</u> |
| LIABILITIES | | | |
| Due to others | \$ 815 | \$ 249 | \$ 1,064 |
| Total Liabilities | <u>\$ 815</u> | <u>\$ 249</u> | <u>\$ 1,064</u> |

KNOX COUNTY
REGIONAL OFFICE OF EDUCATION #33
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2015

| | Balance 7/1/2014 | Additions | Deductions | Balance 6/30/2015 |
|---|---------------------|--------------|--------------|----------------------|
| KNOX COUNTY SUBSTANCE ABUSE PREVENTION PROGRAM | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 890 | \$ - | \$ 75 | \$ 815 |
| LIABILITIES | | | | |
| Due to others | \$ 890 | \$ - | \$ 75 | \$ 815 |
| KNOX COUNTY SALES TAX | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 343,209 | \$ 4,107,436 | \$ 4,450,396 | \$ 249 |
| LIABILITIES | | | | |
| Due to others | \$ 343,209 | \$ 4,107,436 | \$ 4,450,396 | \$ 249 |
| TOTAL AGENCY FUNDS | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 344,099 | \$ 4,107,436 | \$ 4,450,471 | \$ 1,064 |
| LIABILITIES | | | | |
| Due to others | \$ 344,099 | \$ 4,107,436 | \$ 4,450,471 | \$ 1,064 |