

State of Illinois
KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
FINANCIAL AUDIT
(In Accordance with the Single Audit Act & OMB Circular A-133)
For the Year Ended June 30, 2006

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

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33

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KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33

OFFICIALS

Regional Superintendent
(current and during the audit period)

Ms. Bonnie L. Harris

Assistant Regional Superintendent
(current and during the audit period)

Mr. John Delawder

Offices are located at:

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

COMPLIANCE REPORT SUMMARY

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

AUDITOR'S REPORTS

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

SUMMARY OF AUDIT FINDINGS

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

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (GOVERNMENTAL AUDITING STANDARDS)		
06-01	15-17	Controls over compliance with laws and regulations
06-02	18-19	Expenditure reports did not agree to the general ledger

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

None

PRIOR FINDINGS NOT REPEATED (GOVERNMENTAL AUDITING STANDARDS)

None

PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

None

EXIT CONFERENCE

An informal exit conference was held on September 12, 2006. Attending were Regional Superintendent Bonnie Harris and auditors Mellissa Cameron and Darcy Bailey with Ginoli & Company, Ltd. Bonnie Harris provided the agency's responses via email on November 23, 2006.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33

FINANCIAL STATEMENT REPORT

SUMMARY

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

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

**INDEPENDENT AUDITORS' REPORT**

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Knox County Regional Office of Education #33, as of and for the year ended June 30, 2006, which collectively comprise the Knox County Regional Office of Education #33's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Knox County Regional Office of Education #33's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Knox County Regional Office of Education #33, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 12, 2006 on our consideration of the Knox County Regional Office of Education #33's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 25 through 29 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

GINOLI & COMPANY LTD

GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
September 12, 2006



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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Knox County Regional Office of Education #33, as of and for the year ended June 30, 2006, which collectively comprise the Knox County Regional Office of Education #33's basic financial statements and have issued our report thereon dated September 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Knox County Regional Office of Education #33's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Knox County Regional Office of Education #33's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 06-02.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Knox County Regional Office of Education #33's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance which we reported on the accompanying Schedule of Findings and Questioned Costs as item 06-01.

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

GINOLI & COMPANY LTD

GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
September 12, 2006



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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of the Knox County Regional Office of Education #33 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Regional Office of Education #33's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Regional Office of Education #33's management. Our responsibility is to express an opinion on the Regional Office of Education #33's compliance based on our audit.

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

In our opinion, the Knox County Regional Office of Education #33 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

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

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

GINOLI & COMPANY LTD

GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
September 12, 2006

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? ___yes X no

- Reportable condition(s) identified that
are not considered to be material
weakness(es)? X yes ___none reported

- Noncompliance material to financial
statements noted? ___yes X no

Federal Awards

Internal control over financial reporting:

- Material weakness(es) identified? ___yes X no

- Reportable condition(s) identified that
are not considered to be material
weakness(es)? ___yes X none reported

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

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

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

Section I - Summary of Auditor's Results - continued

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.357C	Title I - Reading First Part B SEA Funds

Dollar Threshold used to distinguish between
Type A and Type B Programs: \$300,000

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

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

Section II-Financial Statement Findings

Finding No. 06-01 – Controls Over Compliance with Laws and Regulations (repeated from 05-01)

Criteria/specific requirements:

- A. The Illinois School Code 105 ILCS 5/3-14.11 states that the Regional Superintendent shall examine at least once each year all books, accounts, and vouchers of every school treasurer in her educational service region, and if she finds any irregularities in them, to report them at once, in writing, to the trustees in Class II county school units, to the respective school boards of those school districts which form a part of a Class II county school unit but which are not subject to the jurisdiction of the trustees of schools of any township in which any such district is located, or to the respective school boards of the district in Class I county school units whose duty it shall be to take immediately such action as the case demands. (This mandate has existed in its current form since at least 1953.)
- B. The Illinois School Code 105 ILCS 5/3-5 states that the county superintendent shall present under oath or affirmation to the county board at its meeting in September and as nearly quarterly thereafter as it may have regular or special meetings, a report of all her acts as county superintendent, including a list of all schools visited with the dates of visitation. (This mandate has existed in its current form since at least 1953.)
- C. The Illinois School Code 105 ILCS 5/3-14.5 requires the Regional Superintendent to visit each public school in the county at least once a year, noting the methods of instruction, the branches taught, the text-books used, and the discipline, government and general condition of the schools. (This mandate has existed in its current form since at least 1953.)

Conditions:

- A. The Regional Office of Education #33 is not examining all books, accounts, and vouchers of every school treasurer in her educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent has been examining school district financial statements on an annual basis.
- B. The Regional Office of Education #33 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all her acts including a list of all schools visited and dates of visitation. The Regional Superintendent does submit an annual report to the board and sends quarterly newsletters to each board member. She believes this keeps the board members adequately informed of her actions as Regional Superintendent.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

Section II-Financial Statement Findings

Finding No. 06-01 – Controls Over Compliance with Laws and Regulations, continued

Condition, continued:

- C. The Regional Office of Education #33 performs compliance inspections for each public school in her region on a rotational basis every 2 years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.

Effect:

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

Causes:

- A. The level of financial review performed by the Regional Superintendent is not adequate to comply with the statute.
- B. The Regional Superintendent does present an annual report to the board, but she was unaware of the specific details required to be included in the report.
- C. The Regional Superintendent stated that the periodic compliance visits completed at the public schools were sufficient to satisfy the statutory requirement.

Recommendations:

- A. The Regional Office of Education #33 should comply with the requirements of 105 ILCS 5/3-14.11.
- B. The Regional Superintendent should attend the county board meeting in September and quarterly thereafter, and present the report required by 105 ILCS 5/3-5.
- C. The Regional Superintendent should visit each public school annually to review all items required by 105 ILCS 5/3-14.5.

If the Regional Office believes that any of these statutory mandates are obsolete or otherwise unnecessary, then it should seek legislative action to revise the statutes accordingly.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

Section II-Financial Statement Findings

Finding No. 06-01 – Controls Over Compliance with Laws and Regulations, continued

Management's Responses:

- A. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 5/3-7 of the Illinois School Code is a more current, thorough, and comprehensive requirement concerning a public school district's financial transactions. As a result, the two parties working together will seek legislation to repeal section 5/3-14.11 of the Illinois School Code.

- B. The Regional Superintendent files an annual report with the County Board, but no quarterly reports. This annual report contains a summary of all activities completed by the ROE during the previous year, as well as a full statement of financial conditions. The Regional Superintendent has taken appropriate steps to rectify this condition.

- C. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 1.20 of the 23rd Illinois Administrative Code is a more current, thorough, and comprehensive requirement concerning visitation of public schools by the Regional Superintendent. As a result, the two parties working together will seek legislation to repeal section 5/3-14.5 of the Illinois School Code.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

Section II-Financial Statement Findings

Finding No. 06-02 – Expenditure reports did not agree to the general ledger (repeated from 05-02)

Criteria/specific requirement:

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

Condition:

A comparison of the expenditure reports to the Knox County Regional Office of Education #33's general ledger revealed instances where the totals on the final 2006 expenditure report did not agree with the Regional Office of Education #33's books resulting in inaccurate expenditure reports. The final expenditure report for the Truants Alternative program reported \$74,140 and \$5,672 in salaries and benefits, respectively, while the general ledger reported \$65,443 and \$5,006. The net difference of \$9,363 was expended after year end and should have been reported as obligations on the final expenditure report. Additionally, \$400 was properly recorded as supplies and materials expenditures on the general ledger, but was reported as purchased services on the final expenditure report. The final expenditure report for the Regional Safe Schools program reported \$84,351 and \$2,540 in salaries and benefits, respectively, while the general ledger reported \$80,851 and \$2,489. The net difference of \$3,551 was expended after year end and should have been reported as obligations on the final expenditure report. Additionally, \$500 was properly recorded as capital outlay on the general ledger but was reported as purchased services on the final expenditure report.

Effect:

The Knox County Regional Office of Education #33 filed inaccurate expenditure reports from which reimbursements were made.

Cause:

The Knox County Regional Office of Education #33 personnel inadvertently included accounts payable as expenditures rather than obligations in the final expenditure reports for both programs.

The Knox County Regional Office of Education #33 personnel also inadvertently included properly booked expenditures on the wrong lines of the final expenditure reports for both programs.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

Section II-Financial Statement Findings

Finding No. 06-02 – Expenditure reports did not agree to the general ledger, Continued

Recommendation:

The Knox County Regional Office of Education #33 personnel responsible for the reports should compare the total expenditures to the general ledger accounts and make necessary corrections before filing the reports.

Management's Response:

The Knox County Regional Office of Education #33 personnel plan to more thoroughly compare expenditure reports to the general ledger before filing them.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

Section III: Federal Award Findings

There were no findings for the fiscal year ended June 30, 2006.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
CORRECTIVE ACTION PLAN
JUNE 30, 2006

Corrective Action Plan

Finding No: 06-01

Condition:

- A. The Regional Office of Education #33 is not examining all books, accounts, and vouchers of every school treasurer in her educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent has been examining school district financial statements on an annual basis.
- B. The Regional Office of Education #33 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all of her acts including a list of all schools visited and dates of visitation. The Regional Superintendent does submit an annual report to the board and sends quarterly newsletters to each board member. She believes this keeps the board members adequately informed of her actions as Regional Superintendent.
- C. The Regional Office of Education #33 performs compliance inspections for each public school in her region on a rotational basis every 2 years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district.

Corrective Action Plan:

- A. The Regional Offices of Education will request that the General Assembly delete 105 ILCS 5/3-14.11 from the statutes and will seek a legislative solution to other obsolete passages.
- B. The Regional Superintendent will present under affirmation to the county board quarterly reports of all her acts as Regional Superintendent, including a list of all schools visited with the dates of visitation, as indicated by 105 ILCS 5/3-5.
- C. The Regional Offices of Education will request that the General Assembly delete 105 ILCS 5/3-14.5 from the statutes and will seek a legislative solution to other obsolete passages.

Anticipated Date of Completion: As soon as practical.

Contact Person:

Bonnie Harris, Regional Superintendent

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
CORRECTIVE ACTION PLAN
JUNE 30, 2006

Corrective Action Plan

Finding No: 06-02

Condition:

A comparison of the expenditure reports to the Knox County Regional Office of Education #33's general ledger revealed instances where the totals on the final 2006 expenditure report did not agree with the Regional Office of Education #33's books resulting in inaccurate expenditure reports. The final expenditure report for the Truants Alternative program reported \$74,140 and \$5,672 in salaries and benefits, respectively, while the general ledger reported \$65,443 and \$5,006. The net difference of \$9,363 was expended after year end and should have been reported as obligations on the final expenditure report. Additionally, \$400 was properly recorded as supplies and materials expenditures on the general ledger, but was reported as purchased services on the final expenditure report. The final expenditure report for the Regional Safe Schools program reported \$84,351 and \$2,540 in salaries and benefits, respectively, while the general ledger reported \$80,851 and \$2,489. The net difference of \$3,551 was expended after year end and should have been reported as obligations on the final expenditure report. Additionally, \$500 was properly recorded as capital outlay on the general ledger but was reported as purchased services on the final expenditure report.

Corrective Action Plan:

The Knox County Regional Office of Education #33 personnel plan to more thoroughly compare expenditure reports to the general ledger before filing them.

Anticipated Date of Completion: December 31, 2006

Contact Person:

Bonnie Harris, Regional Superintendent

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
05-01	Controls over compliance with laws and regulations	Repeated
05-02	Expenditure reports did not agree to the general ledger	Repeated

MANAGEMENT'S DISCUSSION AND ANALYSIS

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

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, 2006. The intent of this Management's Discussion and Analysis is to look at the Regional Office of Education's performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the Regional Office of Education's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this ROE's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the ROE's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

Knox County Regional Office of Education #33 has regional responsibility for five school districts: 202 – Knoxville, 205 - Galesburg, 208 - ROWVA, 210 – Williamsfield and 217 – Abingdon. Fiscal 2005 enrollment in these districts was approximately 8,400.

FINANCIAL HIGHLIGHTS

- Total net assets decreased by \$14,208, which represents an 18.5% decrease from fiscal year 2005.
- General revenues account for \$258,056 in revenue, or 36.6% of all revenues. Program specific revenues in the form of grants and contributions accounted for \$447,975 or 63.4% of total revenues.
- The ROE had \$720,239 in expenses.
- Capital assets, prior to depreciation, increased \$500.
- The ROE carries no long term debt.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements outline functions of the ROE that are principally supported by property taxes and intergovernmental revenues (governmental activities). The government-wide financial statements can be found on pages 31-32 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the ROE's current financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 34 and 36, respectively.

The basic governmental fund financial statements can be found on pages 33 and 35 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 38-50 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the ROE, assets exceeded liabilities by \$62,456 as of June 30, 2006. The majority of this (84.1% of total assets) is cash.

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

The following table presents a summary of the ROE's net assets for the fiscal years ended June 30, 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Current assets	\$ 91,225	\$100,438
Capital assets, net	<u>11,203</u>	<u>18,191</u>
Total assets	<u>\$102,428</u>	<u>\$118,629</u>
Current liabilities	\$ 39,972	\$ 41,965
Long-term debt outstanding	<u>-0-</u>	<u>-0-</u>
Total liabilities	<u>\$ 39,972</u>	<u>\$ 41,965</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 11,203	\$ 18,191
Restricted for teacher professional development	1,805	-0-
Unrestricted	<u>\$ 49,448</u>	<u>\$ 58,473</u>
Total net assets	<u>\$ 62,456</u>	<u>\$ 76,664</u>

The net assets related to the Teacher Institute Fund are considered restricted for teacher professional development. There were no restricted assets at June 30, 2005.

Changes in net assets. The ROE's total revenues for the fiscal year ended June 30, 2006 were \$706,031. The total cost of all programs and services was \$720,239. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Revenues:		
Program revenues		
Operating grants and contributions	\$447,975	\$409,119
General revenues		
Local sources	17,875	14,479
State sources	11,879	1,360
On-behalf payments – State	202,356	203,809
On-behalf payments - Local	<u>25,946</u>	<u>29,888</u>
Total revenues	<u>\$706,031</u>	<u>\$658,655</u>

Expenses:

Instruction		
Salaries	\$331,270	\$272,152
Employee benefits	18,899	20,052
Purchased services	51,021	47,848
Supplies and materials	74,317	63,584
Other objects	8,942	404
Payments to other governmental units	-0-	-0-
Administrative Expenses		
On-behalf payments – State	202,356	203,809
On-behalf payments – Local	25,946	29,888
Unallocated depreciation expense	<u>7,488</u>	<u>20,349</u>
Total expenses	<u>\$720,239</u>	<u>\$658,086</u>
Increase (decrease) in net assets	<u>\$(14,208)</u>	<u>\$ 569</u>

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

	<u>2006</u>		<u>2005</u>	
	Total <u>Expenses</u>	Net (Expense) <u>Revenue</u>	Total <u>Expenses</u>	Net (Expense) <u>Revenue</u>
Instruction	\$484,449	\$ (36,474)	\$404,040	\$ 5,079
Support services	<u>235,790</u>	<u>(235,790)</u>	<u>254,046</u>	<u>(254,046)</u>
Total expenses	<u>\$720,239</u>	<u>\$(272,264)</u>	<u>\$658,086</u>	<u>\$(248,967)</u>

The net cost of governmental activities, \$272,264, was financed by general revenue, which is primarily on-behalf payments, \$228,302, and local, \$17,875, and state, \$11,879, revenue.

FINANCIAL ANALYSIS OF THE ROE'S FUNDS

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

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

The financial performance of the ROE as a whole is reflected in its governmental funds. As the ROE completed the year, its governmental funds reported a combined fund balance of \$51,253, a decrease of \$7,220 due primarily to a decrease in the Education Fund of \$8,520. The entire fund balance constitutes unreserved and undesignated fund balance, which are available for spending at the ROE's discretion.

The General Fund is the principal operating fund of the ROE. The balance of the General Fund did not change during Fiscal 2006.

CAPITAL ASSETS

Capital Assets. As of June 30, 2006, the Knox County Regional Office of Education #33's total capital assets were \$187,375, comprised mainly of school and office furniture and equipment. This amount represents an increase of \$500 from the previous year. Total accumulated depreciation as of June 30, 2006 was \$176,172 and total depreciation expense for the year was \$7,488, resulting in total net capital assets of \$11,203.

Additional information of the ROE's capital assets can be found in Note 1 on page 44 of this report.

CURRENT ISSUES

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

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

- The State of Illinois Foundation funding increase per student continues to positively effect the Safe School Program.
- The Knox County Board support remains level for FY'07.
- The Truancy Grant received a small increase in funds which positively impacted the program and service available to students in Knox County.
- The McKinney-Vento Homeless Assistance Grant stayed level for FY'07.
- We are continuing to upgrade the equipment for the Regional Office and Safe School program.

Current funding allows the ROE to perform the following functions: administration of the GED process, administration of the teacher & administrator certification and registration process, operation of the Knox County Academy (a Safe School) day and evening programs, Knox County truancy program (ADEPT), organization and implementation of the annual Teacher Institute Day, Outdoor Education Day, Geography Bowl and Spelling Bees for both Homeschool students and Public School students. Despite reduction in funding, the ROE foresees no real difficulty in continuing these programs and functions with the available funds.

CONTACTING THE ROE'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
STATEMENT OF NET ASSETS
JUNE 30, 2006

<u>ASSETS</u>	<u>Primary Government Governmental Activities</u>
Current Assets:	
Cash	\$ 86,047
Due from other governmental units:	
State	1,231
Prepaid expenses	3,947
Total Current Assets	\$ 91,225
Noncurrent Assets:	
Capital assets, being depreciated, net	\$ 11,203
Total Assets	\$ 102,428
<u>LIABILITIES</u>	
Current Liabilities:	
Overdrafts	\$ 310
Accounts payable	13,682
Due to other governmental units	
State	313
Deferred revenue	25,667
Total Current Liabilities	\$ 39,972
<u>NET ASSETS</u>	
Investment in capital assets, net of related debt	\$ 11,203
Unrestricted	49,448
Restricted for teacher professional development	1,805
Total Net Assets	\$ 62,456

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, 2006

	Program Revenues	Net (Expense) Revenue and Changes in Net Assets
	Operating Grants and Contributions	Primary Government
	Expenses	Governmental Activities
	Total	Total
FUNCTIONS/PROGRAMS		
Primary government:		
Governmental activities:		
Instructional services:		
Salaries	\$ 321,270	\$ (10,000)
Employee benefits	18,380	(519)
Purchased services	37,244	(13,777)
Supplies and materials	61,639	(12,678)
Capital outlay	500	500
Other objects	8,942	-
Administrative:		
On-behalf payments - State	202,356	(202,356)
On-behalf payments - Local	25,946	(25,946)
Unallocated depreciation expense	7,488	(7,488)
Total governmental activities	\$ 720,239	\$ (272,264)
	\$ 447,975	\$ (272,264)
GENERAL REVENUES:		
Local sources		\$ 17,875
State sources		11,879
On-behalf payments:		
State	202,356	202,356
Local	25,946	25,946
Total general revenues and transfers	\$ 258,056	\$ 258,056
CHANGE IN NET ASSETS	\$ (14,208)	\$ (14,208)
NET ASSETS, BEGINNING	76,664	76,664
NET ASSETS, ENDING	\$ 62,456	\$ 62,456

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, 2006

<u>ASSETS</u>	General Fund	Education Fund	Institute Fund	Other Nonmajor Funds	Total Governmental Funds
Cash	\$ -	\$ 64,414	\$ 20,478	\$ 1,155	\$ 86,047
Due from other governmental units:					
State	-	1,231	-	-	1,231
Prepaid expenses	-	3,947	-	-	3,947
Total Assets	\$ -	\$ 69,592	\$ 20,478	\$ 1,155	\$ 91,225
	\$ -	\$ -	\$ -	\$ 310	\$ 310
Overdrafts	-	13,428	-	254	13,682
Accounts payable					
Due to other governmental units:					
State	-	1	312	-	313
Deferred revenue	-	7,306	18,361	-	25,667
Total Liabilities	\$ -	\$ 20,735	\$ 18,673	\$ 564	\$ 39,972
<u>FUND BALANCES</u>					
Unreserved, reported in:					
General fund	\$ -	\$ -	\$ -	\$ -	\$ -
Special revenue funds	-	48,857	1,805	591	51,253
Total Fund Balances	\$ -	\$ 48,857	\$ 1,805	\$ 591	\$ 51,253
Total Liabilities and Fund Balances	\$ -	\$ 69,592	\$ 20,478	\$ 1,155	\$ 91,225

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

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances - governmental funds \$ 51,253

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds 11,203

Net assets of governmental activities \$ 62,456

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, 2006

	General Fund	Education Fund	Institute Fund	Other Nonmajor Funds	Total Governmental Funds
REVENUES:					
Local sources	\$ -	\$ 5,284	\$ 12,725	\$ 5,150	\$ 23,159
State sources	-	396,956	-	11,879	408,835
Federal sources	-	45,735	-	-	45,735
On-behalf payments	216,762	11,540	-	-	228,302
Total Revenues	<u>\$ 216,762</u>	<u>\$ 459,515</u>	<u>\$ 12,725</u>	<u>\$ 17,029</u>	<u>\$ 706,031</u>

EXPENDITURES:					
Education:					
Salaries	\$ -	\$ 321,270	\$ -	\$ 10,000	\$ 331,270
Employee benefits	-	18,380	-	519	18,899
Purchased services	-	37,244	8,767	5,010	51,021
Supplies and materials	-	70,159	1,603	2,555	74,317
Capital outlay	-	500	-	-	500
Other objects	-	8,942	-	-	8,942
On-behalf payments	216,762	11,540	-	-	228,302
Total Expenditures	<u>\$ 216,762</u>	<u>\$ 468,035</u>	<u>\$ 10,370</u>	<u>\$ 18,084</u>	<u>\$ 713,251</u>

EXCESS (DEFICIENCY) OF REVENUES
 OVER EXPENDITURES

\$ - \$ (8,520) \$ 2,355 \$ (1,055) \$ (7,220)

FUND BALANCES (DEFICIT), BEGINNING OF YEAR

- - 57,377 (550) 1,646 58,473

FUND BALANCES, END OF YEAR

\$ - \$ 48,857 \$ 1,805 \$ 591 \$ 51,253

The notes to the financial statements are an integral part of this statement.
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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, 2006

Net change in fund balances \$ (7,220)

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	\$ 500	
Depreciation expense	<u>(7,488)</u>	
Net		<u>(6,988)</u>

Change in net assets of governmental activities \$ (14,208)

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued.

A. Financial Reporting Entity - continued.

For the period ended June 30, 2006, the Regional Office of Education #33 applied for, received, and administered numerous State and federal programs and grants in assistance of the educational activities of the school districts in the region. Such activities are reported as a single major special revenue fund (Education Fund).

B. Scope of the Reporting Entity

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

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

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

C. Basis of Presentation and Basis of Accounting

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Basis of Presentation and Basis of Accounting – continued

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

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Basis of Presentation and Basis of Accounting – continued

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

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

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

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Basis of Presentation and Basis of Accounting – continued

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

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

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

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

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

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

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

D. Budget and Budgetary Accounting

The ROE does not adopt a formal budget for all revenues and expenditures of the governmental funds and is not legally required to do so. Certain programs administered by the ROE are subject to budget approval by the State of Illinois. These include Learn and Serve America, Regional Safe Schools, Truants Alternative Education and Title I – Reading First Part B SEA Funds.

E. Assets, Liabilities, and Net Assets

Deposits and investments

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

Receivables and payables

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

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

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

Prepaid expenses

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

E. Assets, Liabilities and Net Assets – continued

Capital assets

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

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

Deferred revenue

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

Net assets

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

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

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

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

F. Use of Estimates

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

G. Intergovernmental Agreement

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

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

H. New Accounting Pronouncements

Effective June 30, 2006, the ROE adopted Governmental Accounting Standards Board Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which establishes standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Effective June 30, 2006, the ROE adopted Governmental Accounting Standards Board Statement No. 44, *Economic Condition Reporting: The Statistical Section*, which improves the understandability and usefulness of the statistical information section.

Effective June 30, 2006, the ROE adopted Governmental Accounting Standards Board Statement No. 46, *Net Assets Restricted by Enabling Legislation* (an amendment of GASB Statement No. 34), which clarifies the definition of legal enforceability as it relates net assets restricted by enabling legislation and requires disclosure of the amount of net assets restricted by enabling legislation.

There was no significant impact on the ROE's financial statements as a result of adopting these statements.

NOTE 2: CASH

The investment and deposit of ROE monies is governed by the provisions of the Illinois Revised Statutes. The ROE has no policy regarding custodial credit risk for deposits. At year-end, the carrying amount of the ROE's deposits totaled \$84,449 and the bank balances totaled \$87,710. Of these balances, \$87,710 was covered by federal depository insurance.

The ROE's deposits were calculated as follows:

Cash	\$86,047
Overdrafts	(310)
Undeposited funds	(1,103)
Petty cash on hand	<u>(185)</u>
Deposits	<u>\$84,449</u>

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

NOTE 3: COMMON BANK ACCOUNT

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

NOTE 4: DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units consists of the following at June 30, 2006:

Due from Illinois State Board of Education for unpaid portion of various programs:		
Learn and Serve America		\$1,200
State Free Breakfast and Lunch		<u>31</u>
Total		<u>\$1,231</u>

NOTE 5: DUE FROM/TO OTHER FUNDS

As of June 30, 2006, there were no interfund account balances.

NOTE 6: CAPITAL ASSETS

Capital asset activity during the 2006 fiscal year was as follows:

	<u>Balance</u> 7-1-05	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 6-30-06
Equipment	\$186,875	\$ 500	\$ -	\$187,375
Less accumulated depreciation	<u>(168,684)</u>	<u>(7,488)</u>	<u>-</u>	<u>(176,172)</u>
Total	<u>\$ 18,191</u>	<u>\$ (6,988)</u>	<u>\$ -</u>	<u>\$ 11,203</u>

NOTE 7: DUE TO OTHER GOVERNMENTAL UNITS

Due to other governmental units consists of the following at June 30, 2006:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Illinois State Board of Education	Title I - Reading First Part B SEA Funds	\$ 1
Illinois State Board of Education	Institute Fund	<u>312</u>
Total		<u>\$313</u>

NOTE 8: DEFICIT FUND BALANCE

The ROE has a deficit fund balance of \$564 in the G.E.D. Fund.

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

NOTE 9: RETIREMENT FUND COMMITMENTS

A. Teachers' Retirement System of the State of Illinois

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

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

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 2006 was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer.

In addition, virtually all members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not part of this retirement plan. The employer THIS Fund health insurance contribution was 0.6 percent during the year ended June 30, 2006 and the member THIS Fund health insurance contribution rate was .80 percent.

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

- **On-behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the ROE. For the year ended June 30, 2006, State of Illinois contributions were based on 7.06 percent of creditable earnings, and the ROE recognized revenue and expenditures of \$11,540 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2005 and June 30, 2004, the State of Illinois contribution rates as percentages of creditable earnings were 11.76 percent (\$14,615) and 13.98 percent (\$24,789), respectively.

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

- **2.2 formula contributions.** Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. Contributions for the year ending June 30, 2006 were \$948. Contributions for the years ended June 30, 2005 and June 30, 2004 were \$722 and \$1,028, respectively.

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

NOTE 9: RETIREMENT FUND COMMITMENTS - continued

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

- **Federal and trust fund contributions.** When TRS members are paid from federal and trust funds administered from the district, there is a statutory requirement for the district to pay an additional contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and trust funds will be the same as the state contribution rate to TRS.

For the year ended June 30, 2006, the employer pension contribution was 7.06 percent of salaries paid from federal and trust funds. For the two years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the three years ended June 30, 2006, 2005, and 2004, there were no salaries paid from federal and trust funds.

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

Under Public Act 94-0004, a "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired on June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007. If members do not meet these conditions, they can retire under the "Modified ERO" program which requires higher member and employer contributions to TRS. Also, under Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service (unless the member qualifies for the Pipeline ERO).

Under the ERO program that expired on June 30, 2005 and the Pipeline ERO, the maximum employer contribution is 100 percent of the member's highest salary used in the final average salary calculation.

Under the Modified ERO, the maximum employer contribution is 117.5 percent.

Both the 100 percent and 117.5 percent maximums apply when the member is age 55 at retirement.

For the year ended June 30, 2006, the ROE paid no employer contributions under the Pipeline ERO and Modified ERO programs. For the years ending June 30, 2005, and June 30, 2004, the ROE paid no employer contributions under the Early Retirement Option.

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

NOTE 9: RETIREMENT FUND COMMITMENTS - continued

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

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and state funding requirements can be found in the TRS Comprehensive Annual Financial Report for the year ended June 30, 2005. The report for the year ended June 30, 2006 is expected to be available in late 2006.

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

NOTE 10: ON-BEHALF PAYMENTS

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

Regional Superintendent salary	\$ 84,737
Regional Superintendent benefits (includes State paid insurance)	18,094
Assistant Regional Superintendent salary	76,263
Assistant Regional Superintendent benefits (includes State paid insurance)	11,722
TRS contributions	<u>11,540</u>
Total	<u>\$202,356</u>

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

Salaries	\$23,804
Benefits	<u>2,142</u>
Total	<u>\$25,946</u>

The total of on-behalf payments for salaries and benefits shown above of \$216,762 are reported as revenues and expenditures in the General Fund. TRS contributions of \$11,540 are reported as revenues and expenditures in the Regional Safe Schools Program.

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

NOTE 11: RISK MANAGEMENT

The Regional Office of Education #33 is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Regional Office has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with prior years. During the year ended June 30, 2006 and the two previous fiscal years, no settlement exceeded insurance coverage.

SUPPLEMENTARY INFORMATION

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
JUNE 30, 2006

	Regional Safe Schools	Truants Alternative Education	Learn and Serve America	McKinney Education for Homeless Children	Title I - Reading First Part B SEA Funds	Total
Cash	\$ 48,944	\$ 9,363	\$ 6,106	\$ -	\$ 1	\$ 64,414
Due from other governmental units:						
State	31	-	1,200	-	-	1,231
Prepaid expenses	3,947	-	-	-	-	3,947
Total Assets	\$ 52,922	\$ 9,363	\$ 7,306	\$ -	\$ 1	\$ 69,592

LIABILITIES

Overdrafts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	4,065	9,363	-	-	-	13,428
Due to other governmental units:						
State	-	-	-	-	1	1
Deferred revenue	-	-	7,306	-	-	7,306
Total Liabilities	\$ 4,065	\$ 9,363	\$ 7,306	\$ -	\$ 1	\$ 20,735

FUND BALANCES

Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	48,857	-	-	-	-	48,857
Total Fund Balances	\$ 48,857	\$ -	\$ -	\$ -	\$ -	\$ 48,857
Total Liabilities and Fund Balances	\$ 52,922	\$ 9,363	\$ 7,306	\$ -	\$ 1	\$ 69,592

See accompanying Independent Auditors' Report.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2006

		Regional Safe Schools	Truants Alternative Education	Learn and Serve America	McKinney Education for Homeless Children	Title I - Reading First Part B SEA Funds	Total
REVENUES:							
Local sources	\$	5,284	-	\$ -	\$ -	\$ -	\$ 5,284
State sources		303,177	93,779	-	-	-	396,956
Federal sources		9,103	-	7,783	10,750	18,099	45,735
On-behalf payments		11,540	-	-	-	-	11,540
Total Revenues	\$	329,104	93,779	7,783	10,750	18,099	\$ 459,515
EXPENDITURES:							
Salaries	\$	237,967	74,140	4,087	5,000	76	\$ 321,270
Employee benefits		12,325	5,672	-	383	-	18,380
Purchased services		20,311	13,367	194	3,364	8	37,244
Supplies and materials		46,039	600	3,502	2,003	18,015	70,159
Capital outlay		500	-	-	-	-	500
Other objects		8,942	-	-	-	-	8,942
On-behalf payments		11,540	-	-	-	-	11,540
Total Expenditures	\$	337,624	93,779	7,783	10,750	18,099	\$ 468,035
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$	(8,520)	\$ -	\$ -	\$ -	\$ -	\$ (8,520)
FUND BALANCES, BEGINNING OF YEAR		57,377	-	-	-	-	57,377
FUND BALANCES, END OF YEAR	\$	48,857	\$ -	\$ -	\$ -	\$ -	\$ 48,857

See accompanying Independent Auditors' Report.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 BUDGETARY COMPARISON SCHEDULES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2006

	Title I - Reading First Part B SEA Funds				Learn and Serve America			
	Budgeted Amounts		Actual		Budgeted Amounts		Actual	
	Original	Final	Final Budget	Final Budget	Original	Final	Final Budget	Final Budget
REVENUES:								
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-	-
Federal sources	26,393	42,204	18,099	(24,105)	11,587	11,587	7,783	(3,804)
On-behalf payments	-	-	-	-	-	-	-	-
Total Revenues	\$ 26,393	\$ 42,204	\$ 18,099	\$ (24,105)	\$ 11,587	\$ 11,587	\$ 7,783	\$ (3,804)
EXPENDITURES:								
Salaries	\$ 10,200	\$ 5,000	\$ 76	\$ 4,924	\$ 9,240	\$ 9,240	\$ 4,087	\$ 5,153
Employee benefits	-	-	-	-	-	-	-	-
Purchased services	10,000	8,900	8	8,892	2,347	2,347	194	2,153
Supplies and materials	6,193	28,304	18,015	10,289	-	-	3,502	(3,502)
Capital outlay	-	-	-	-	-	-	-	-
Other objects	-	-	-	-	-	-	-	-
On-behalf payments	-	-	-	-	-	-	-	-
Total Expenditures	\$ 26,393	\$ 42,204	\$ 18,099	\$ 24,105	\$ 11,587	\$ 11,587	\$ 7,783	\$ 3,804
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-	-	-	-	-
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying Independent Auditors' Report.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 BUDGETARY COMPARISON SCHEDULES
 EDUCATION FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2006

	Regional Safe Schools			Truants Alternative Education		
	Budgeted Amounts Original	Actual Amounts Final	Variance with Final Budget	Budgeted Amounts Original	Actual Amounts Final	Variance with Final Budget
REVENUES:						
Local sources	\$ -	\$ 5,284	\$ 5,284	\$ -	\$ -	\$ -
State sources	93,172	303,177	210,005	93,779	93,779	-
Federal sources	-	9,103	9,103	-	-	-
On-behalf payments	-	11,540	11,540	-	-	-
Total Revenues	\$ 93,172	\$ 329,104	\$ 235,932	\$ 93,779	\$ 93,779	\$ -
EXPENDITURES:						
Salaries	\$ 83,980	\$ 237,967	\$ (153,987)	\$ 74,140	\$ 74,140	\$ -
Employee benefits	2,819	12,325	(9,506)	5,655	5,672	(17)
Purchased services	6,000	20,311	(14,311)	13,784	13,367	417
Supplies and materials	373	46,039	(45,666)	200	600	(400)
Capital outlay	-	500	(500)	-	-	-
Other objects	-	8,942	(8,942)	-	-	-
On-behalf payments	-	11,540	(11,540)	-	-	-
Total Expenditures	\$ 93,172	\$ 337,624	\$ (244,452)	\$ 93,779	\$ 93,779	\$ -
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ (8,520)	\$ (8,520)	\$ -	\$ -	\$ -
FUND BALANCES, BEGINNING OF YEAR	-	57,377	-	-	-	-
FUND BALANCES, END OF YEAR	\$ -	\$ 48,857	\$ (8,520)	\$ -	\$ -	\$ -

See accompanying Independent Auditors' Report.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2006

	<u>ASSETS</u>					<u>Total</u>
	G.E.D. Fund	Bus Driver Fund	KCSAP Fund	ROE #33 Fund	Supervisory Fund	
Cash	\$ -	\$ 154	\$ 415	\$ -	\$ 586	\$ 1,155
Total Assets	\$ -	\$ 154	\$ 415	\$ -	\$ 586	\$ 1,155
<u>LIABILITIES</u>						
Overdrafts	\$ 310	\$ -	\$ -	\$ -	\$ -	\$ 310
Accounts payable	254	-	-	-	-	254
Total Liabilities	\$ 564	\$ -	\$ -	\$ -	\$ -	\$ 564
<u>FUND BALANCES</u>						
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	(564)	154	415	-	586	591
Total Fund Balance (Deficit)	\$ (564)	\$ 154	\$ 415	\$ -	\$ 586	\$ 591
Total Liabilities and Fund Balances (Deficit)	\$ -	\$ 154	\$ 415	\$ -	\$ 586	\$ 1,155

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	G.E.D. Fund	Bus Driver Fund	KCSAP Fund	ROE #33 Fund	Supervisory Fund	Total
REVENUES:						
Local sources	\$ 4,257	\$ 456	\$ 415	\$ -	\$ 22	\$ 5,150
State sources	-	360	-	10,519	1,000	11,879
Total Revenues	\$ 4,257	\$ 816	\$ 415	\$ 10,519	\$ 1,022	\$ 17,029
EXPENDITURES:						
Salaries	\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ 10,000
Employee benefits	-	-	-	519	-	519
Purchased services	3,059	845	-	-	1,106	5,010
Supplies and materials	2,091	-	-	-	464	2,555
Total Expenditures	\$ 5,150	\$ 845	\$ -	\$ 10,519	\$ 1,570	\$ 18,084
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (893)	\$ (29)	\$ 415	\$ -	\$ (548)	\$ (1,055)
FUND BALANCES, BEGINNING OF YEAR	329	183	-	-	1,134	1,646
FUND BALANCES (DEFICIT), END OF YEAR	\$ (564)	\$ 154	\$ 415	\$ -	\$ 586	\$ 591

See accompanying Independent Auditors' Report.

FEDERAL COMPLIANCE SECTION

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/ Pass-Through Grantor/ <u>Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Project #</u>	Federal Expenditures 7/1/05-06/30/06
Corporation for National and Community Services passed through Illinois State Board of Education:			
Learn and Serve America	94.004	2005-4910-00	\$ 3,502
Learn and Serve America	94.004	2006-4910-00	4,281
Total			<u>\$ 7,783</u>
U.S. Dept. of Education passed through Illinois State Board of Education:			
(M) Title I - Reading First Part B SEA Funds	84.357C	2005-4337-02	\$ 18,099
U.S. Dept. of Education passed through Hancock/McDonough Regional Office of Education #26:			
McKinney-Vento Homeless Assistance Act, Title VII, Subtitle B	84.196	N/A	\$ 10,750
U.S. Dept. of Agriculture passed through Illinois State Board of Education:			
National School Lunch Program	10.555	2005-4210-00	\$ 1,045
National School Lunch Program	10.555	2006-4210-00	5,571
Total			<u>\$ 6,616</u>
School Breakfast Program	10.553	2005-4220-00	351
School Breakfast Program	10.553	2006-4220-00	2,136
Total			<u>\$ 2,487</u>
Total Expenditures of Federal Awards			<u>\$ 45,735</u>

(M) Program was audited as a major program. The accompanying notes are an integral part of this schedule.

KNOX COUNTY REGIONAL OFFICE OF EDUCATION #33
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: SUBRECIPIENTS

None

NOTE 3: DESCRIPTION OF MAJOR FEDERAL PROGRAM

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

NOTE 4: NON-CASH ASSISTANCE

None

NOTE 5: AMOUNT OF INSURANCE

None

NOTE 6: LOANS OR LOAN GUARANTEES OUTSTANDING

None