

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
FINANCIAL AUDIT
(In Accordance with the Uniform Guidance)
For the Year Ended June 30, 2016**

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

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES**

TABLE OF CONTENTS

Officials	1
Compliance Report Summary	2-3
Financial Statement Report Summary	4

AUDITORS’ REPORTS

Independent Auditors’ Report	5-7
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	8-9
Independent Auditors’ Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required the Uniform Guidance	10-12

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditors’ Results	13
Section II - Financial Statement Findings	14
Section III – Federal Award Findings	15a-15b
Corrective Action Plan for Current Year Audit Findings	16
Summary Schedule of Prior Audit Findings	17

MANAGEMENT’S DISCUSSION AND ANALYSIS

Management’s Discussion and Analysis	18a-18f
--	---------

BASIC FINANCIAL STATEMENTS

Statement of Net Position	19
Statement of Activities	20
Balance Sheet - Governmental Funds	21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position - Governmental Funds	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Governmental Funds	24
Statement of Net Position - Proprietary Fund	25
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	26
Statement of Cash Flows - Proprietary Fund	27
Statement of Fiduciary Net Position - Fiduciary Funds	28
Notes to the Financial Statements	29-53

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES**

TABLE OF CONTENTS (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION

Illinois Municipal Retirement Fund – Schedule of Funding Progress – <i>Unaudited</i>	54
Post Employment Benefits Other Than Pensions – Schedule of Funding Progress – <i>Unaudited</i>	55

SUPPLEMENTAL INFORMATION

Combining Schedule of Accounts - General Fund	56-57
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - General Fund Accounts	58-59
Combining Schedule of Accounts - Education Fund	60-62
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Education Fund Accounts	63-65
 Budgetary Comparison Schedules	
McKinney Education for Homeless Children	66
Substance Abuse Prevention and Treatment Block Grant	67
Title I – System of Support	68
Title II Teacher Quality - Leadership	69
FY16 Partnership for College and Career Success	70
Title II Teacher Quality - ECHO	71
ROE/ISC Operations	72
Regional Safe Schools	73
Truants Alternative/Optional Education	74
Combining Balance Sheet - Nonmajor Special Revenue Funds	75
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	76
Combining Schedule of Accounts – Institute Fund Accounts	77
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Institute Fund Accounts	78
Combining Statement of Fiduciary Net Position - Agency Funds	79
Combining Statement of Changes in Assets and Liabilities - Agency Funds.	80

FEDERAL COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards	81
Notes to the Schedule of Expenditures of Federal Awards	82

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES**

OFFICIALS

Regional Superintendent (Current and During the Audit Period)	R. Matthew Donkin
Assistant Regional Superintendent (During the Audit Period July 1, 2015 – October 31, 2015 and July 1, 2016 – October 31, 2016)	Elaine Little
Assistant Regional Superintendent (During the Audit Period March 1, 2016 – June 30, 2016 and March 1, 2017 – Current)	Timothy Bleyer
Assistant Regional Superintendent (During the Audit Period November 1, 2015 – February 29, 2016 and November 1, 2016 – February 28, 2017)	Paul Oldani

Offices are located at:

202 West Main Street
Benton, IL 62812

407 North Monroe Street, Suite 300
Marion, IL 62959

P.O. Box 96, 111 S. 5th Street
Vienna, IL 62995

Project ECHO Alternative Program
P.O. Box 238, 17428 Route 37
Johnston City, IL 62951

S.T.A.R. Quest Academy Regional Safe School Program (RSSP) – North
P.O. Box 303, 17428 Route 37
Johnston City, IL 62951

S.T.A.R. Quest Academy RSSP – South
1102 West 10th Street
Metropolis, IL 62960

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES**

COMPLIANCE REPORT SUMMARY

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

AUDITORS' REPORTS

The auditors' reports on compliance and 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	1	1
Repeated audit findings	0	0
Prior recommendations implemented or not repeated	1	2

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
-----------------	-------------	--------------------	---------------------

FINDINGS (GOVERNMENT AUDITING STANDARDS)

None

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

2016-001	15a	Subrecipient Monitoring Documentation	Significant Deficiency and Noncompliance
----------	-----	---------------------------------------	---

PRIOR AUDIT FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

2015-001	17	Internal Controls Over Financial Statement Preparation	Material Weakness
----------	----	---	-------------------

PRIOR AUDIT FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

None

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES**

COMPLIANCE REPORT SUMMARY (CONCLUDED)

EXIT CONFERENCE

An informal exit conference was held on September 9, 2016 with the management of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21. The finding and recommendation in this report were discussed with management of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 at various informal meetings. Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's response to the recommendation and corrective action plan were provided by R. Matthew Donkin, Regional Superintendent, in an email dated June 6, 2017.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES**

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 was performed by Kemper CPA Group LLP, Certified Public Accountants and Consultants.

Based on their audit, the auditors expressed a qualified opinion on the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's basic financial statements.

INDEPENDENT AUDITORS' 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21'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.

Auditors' 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.

Basis for Qualified Opinion

The Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 did not recognize and disclose pension benefits in their financial statements as required by Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Disclosure of that information is required to conform with accounting principles generally accepted in the United States of America. The effects of this departure from U.S. generally accepted accounting principles on the financial statements of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 are not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of not recognizing assets, liabilities, deferred outflows of resources, and/or deferred inflows of resources for pension benefits in the Statement of Net Position and the Statement of Activities as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As disclosed in Notes 16, the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 consolidated Johnson and Massac Counties into its educational service region effective July 1, 2015. 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, Illinois Municipal Retirement Fund Schedule of Funding Progress, and Other Post Employment Benefit Plan Schedule of Funding Progress on pages 18a through 18f, 54, and 55, respectively, 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 Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's basic financial statements. The combining schedules of accounts, budgetary comparison schedules, combining fund financial statements, and Schedule of Expenditures of Federal Awards, as required by the Uniform

Guidance, 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, the combining fund financial statements, and the Schedule of Expenditures of Federal Awards, as required by the Uniform Guidance is the responsibility of management and was derived from and relates 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, the combining fund financial statements, and the Schedule of Expenditures of Federal Awards, as required by the Uniform Guidance 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 issued our report dated June 9, 2017, on our consideration of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21'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 the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants

Marion, Illinois
June 9, 2017

**INDEPENDENT AUDITORS' 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's basic financial statements, and have issued our report thereon dated June 9, 2017. Our opinion was qualified because the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 did not recognize and disclose pension benefits in their financial statements as required by Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Disclosure of that information is required to conform with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21'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 the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's internal control. Accordingly, we do not express an opinion on the effectiveness of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21'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*.

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 Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21'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 Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants

Marion, Illinois
June 9, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on Compliance for Each Major Federal Program

We have audited the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's major federal programs for the year ended June 30, 2016. The Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's compliance.

Opinion on Each Major Federal Program

In our opinion, the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001, that we consider to be a significant deficiency.

Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants

Marion, Illinois
June 9, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION I – SUMMARY OF AUDITORS’ RESULTS
For the Year Ended June 30, 2016**

Financial Statements

Type of auditors’ report issued: *Qualified*

Internal control over financial reporting:

Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes

Type of auditors’ report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? Yes

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	System of Support Title I – School Improvement and Accountability

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? No

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2016**

INSTANCES OF NONCOMPLIANCE:

None

SIGNIFICANT DEFECIENCIES:

None

MATERIAL WEAKNESSES:

None

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION III – FEDERAL AWARD FINDINGS
For the Year Ended June 30, 2016**

FINDING NO. 2016-001 – Subrecipient Monitoring Documentation

Federal Program Name: Title I School Improvement and Accountability

Project Number: 16-4331-SS

CFDA number: 84.010A

Passed Through: Illinois State Board of Education

Federal Agency: U.S. Department of Education

CRITERIA/SPECIFIC REQUIREMENT:

For fiscal year 2016, the *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), contained in 2 CFR Part 200, became effective for all federal award programs administered by the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 (the Regional Office). The Uniform Guidance (2 CFR 200.415(a)) requires the Regional Office to provide a specific certification to funding agencies on all annual and final fiscal reports or vouchers requesting payment, and conversely, requires the Regional Office to obtain such certification from their subrecipients.

The Uniform Guidance (2 CFR 200.331(b)) also requires the Regional Office to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

CONDITION:

During our audit, the Regional Office was providing the certification to the Illinois State Board of Education, the funding agency for Title I School Improvement and Accountability, when required. However, the certifications were not obtained from the subrecipients of this program.

We also noted that although a Regional Office employee maintains an informal checklist for monitoring subrecipients of its Title I School Improvement and Accountability program, there are no formal documented procedures for monitoring subrecipients, including formal documentation of an assessed level of risk of noncompliance for each subrecipient as required by the Uniform Guidance.

QUESTIONED COSTS:

None

CONTEXT:

The Regional Office passed through \$97,069 of federal funding to three different subrecipients of the Title I School Improvement and Accountability program.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION III – FEDERAL AWARD FINDINGS
For the Year Ended June 30, 2016**

FINDING NO. 2016-001 – Subrecipient Monitoring Documentation (Concluded)

EFFECT:

By not obtaining the required certification from subrecipients, and not performing a formal documented risk assessment of the subrecipients, the risk of expenditures being improper and not in accordance with the terms and conditions of the Federal award and approved budgets is increased.

CAUSE:

The Regional Office was unable to dedicate the time needed to fully implement the Uniform Guidance due to competing priorities.

AUDITOR'S RECOMMENDATION:

We recommend that the Regional Office develop policies and procedures to ensure all annual and final fiscal reports or vouchers requesting payment received from subrecipients of federal awards include the certification required by 2 CFR 200.415(a). We also recommend that the Regional Office formalize, in writing, its subrecipient monitoring procedures, which would include a formal risk assessment of each subrecipient, as required and described in 2 CFR 200.331(b).

MANAGEMENT'S RESPONSE:

As ROE #21 began FY 16 dealing with the dissolution of ROE #02 and its aftereffects with ROE #30 as our offices both assumed control of the counties involved and ROE #21 took responsibility for the remaining financial matters, as well as entering the fiscal year following recent turnover in its financial management department, it faced a lot of competing priorities in a short amount of time; ROE #21 worked through the issues as quickly as it could but struggled to keep up with further training to implement the constantly evolving Uniform Guidance. Following the resolution of the unique and challenging issues faced in FY 16, ROE #21 will plan to accept and implement the recommendations from the auditor.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2016**

FINDING NO. 2016-001 – Subrecipient Monitoring Documentation

CONDITION:

During our audit, we noted the Regional Office was providing the certification to the Illinois State Board of Education, the funding agency for Title I School Improvement and Accountability, when required. However, we noted that the certifications were not obtained from the subrecipients of this program.

We also noted that although a Regional Office employee maintains an informal checklist for monitoring subrecipients of its Title I School Improvement and Accountability program, there are no formal documented procedures for monitoring subrecipients, including formal documentation of an assessed level of risk of noncompliance for each subrecipient as required by the Uniform Guidance.

PLAN:

As part of its regular process in dealing with Federal grants, ROE #21 will include the statement required by 2 CFR 200.415(a) on all annual and final fiscal reports or vouchers requesting payment received from subrecipients of federal awards after the receipt of this audit finding.

In addition, to meet the requirements described in 2 CFR 200.331(b), ROE#21 will explore identifying appropriate procedures to formally assess the level of risk of noncompliance for each subrecipient as required by the Uniform Guidance; including, but not limited to: reviewing subrecipients' annual audit reports, examining the subrecipients' Grant Accountability and Transparency Act (GATA) information submissions and ICQ, communicating changes throughout the fiscal year, and other appropriate action as directed.

ANTICIPATED DATE OF COMPLETION:

The Regional Office anticipates compliance for the next audit in September 2017.

CONTACT PERSON:

R. Matthew Donkin, Regional Superintendent

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2016**

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
2015-001	Internal Controls Over Financial Statement Preparation	Not Repeated

MANAGEMENT'S DISCUSSION AND ANALYSIS

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 (Regional Office) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the Regional Office's financial statements, which follow.

This report will include past year financial activity, along with fiscal year 2016 activity, making comparisons of the financial position and results of operations more meaningful.

2016 Financial Highlights

In 2016, the Education Fund deficit was (\$234,258), a decrease from the fiscal year 2015 fund balance of (\$5,448). This decrease was primarily due to an increase in unavailable revenue, that is, revenues that were due to the Regional Office from its funding sources at year-end but were not received within 60 days of year-end.

The General Fund balance was \$230,913 and General Fund revenues were \$1,075,504 (excluding on-behalf payments) in fiscal year 2016. There was a general increase in our revenue from State sources from 2015. General Fund expenditures were \$1,066,051 (excluding on-behalf payments), which increased from 2015 mainly in salaries and benefits and purchased services.

Using this Annual Report

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Regional Office's financial activities.
- The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These statements provide information about the activities of the Regional Office as a whole and present an overall view of the Regional Office's finances.
- The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Regional Office's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements and Required Supplementary Information provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Supplementary Information further explains and supports the financial statements with a comparison of the Regional Office's detailed information for each category of funds and also provides detailed information about the non-major funds.

Reporting Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 as a Whole

The Statement of Net Position and the Statement of Activities

The government-wide statements report information about the ROE as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Regional Office's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Reporting Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 as a Whole (Concluded)

The Statement of Net Position and the Statement of Activities (Concluded)

The two government-wide statements report the Regional Office's net position and how it has changed. Net position – the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the Regional Office's financial health or position.

- Over time, increases or decreases in the net position can be an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Regional Office's overall health, additional non-financial factors, such as new laws, rules, regulations, and actions by officials at the State level need to be considered.

Fund Financial Statements

The fund financial statements provide detailed information about the Regional Office's funds, focusing on its most significant or "major" funds. Funds are accounting devices which allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by State law. The Regional Office established other funds to control and manage money for particular purposes.

The Regional Office has three kinds of fund classifications:

- 1) Governmental funds account for a majority of the Regional Office's services. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Regional Office's programs. The Regional Office's governmental funds include: the General Fund and the Special Revenue Funds.

The governmental funds' required financial statements include a Balance Sheet and a Statement of Revenue, Expenditures and Changes in Fund Balances.

- 2) Proprietary funds account for services for which the Regional Office charges fees under a cost-reimbursement method. These fees cover the costs of certain services it provides.

The proprietary fund's required financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

- 3) Fiduciary funds account for services for which the ROE acts as fiscal agent for individuals and private or governmental organizations.

The fiduciary funds' required financial statements include a Statement of Fiduciary Net Position.

A summary reconciliation between the government-wide financial statements and the fund financial statements is included after each fund financial statement.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The Regional Office's net position at the end of fiscal year 2015 totaled \$(237,294). At the end of fiscal year 2016, the net position was \$419,572. The analysis that follows provides a summary of the Regional Office's net position at June 30, 2016 and 2015.

**CONDENSED STATEMENT OF NET POSITION
June 30, 2016 and 2015**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
ASSETS						
Current assets	\$ 672,642	\$ 478,874	\$ 33,067	\$ -	\$ 705,709	\$ 478,874
Capital assets	16,073	34,300	-	-	16,073	34,300
Other noncurrent assets	<u>-</u>	<u>59,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,520</u>
TOTAL ASSETS	<u>688,715</u>	<u>572,694</u>	<u>33,067</u>	<u>-</u>	<u>721,782</u>	<u>572,694</u>
DEFERRED OUTFLOWS OF RESOURCES						
	<u>-</u>	<u>683,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>683,289</u>
LIABILITIES						
Current liabilities	294,933	99,849	-	-	294,933	99,849
Noncurrent liabilities	<u>7,277</u>	<u>1,313,231</u>	<u>-</u>	<u>-</u>	<u>7,277</u>	<u>1,313,231</u>
TOTAL LIABILITIES	<u>302,210</u>	<u>1,413,080</u>	<u>-</u>	<u>-</u>	<u>302,210</u>	<u>1,413,080</u>
DEFERRED INFLOWS OF RESOURCES						
	<u>-</u>	<u>80,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,197</u>
NET POSITION						
Net investment in capital assets	16,073	34,300	-	-	16,073	34,300
Restricted for educational purposes	139,493	179,549	-	-	139,493	179,549
Unrestricted	<u>230,939</u>	<u>(451,143)</u>	<u>33,067</u>	<u>-</u>	<u>264,006</u>	<u>(451,143)</u>
TOTAL NET POSITION	<u>\$ 386,505</u>	<u>\$ (237,294)</u>	<u>\$ 33,067</u>	<u>-</u>	<u>\$ 419,572</u>	<u>\$ (237,294)</u>

The Regional Office's net position increased by \$656,866 from fiscal year 2015 to fiscal year 2016. The increase was primarily due to the decrease in net pension liability reflected in 2015 caused by the implementation of GASB 68 while GASB 68 was not followed during fiscal year 2016.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The following analysis shows the changes in net position for the years ended June 30, 2016 and 2015.

**CHANGES IN NET POSITION
For the Years Ended June 30, 2016 and 2015**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 66,757	\$ 67,507	\$ 123,678	\$ 58,232	\$ 190,435	\$ 125,739
Operating grants & contributions	<u>1,625,190</u>	<u>1,491,420</u>	<u>-</u>	<u>-</u>	<u>1,625,190</u>	<u>1,491,420</u>
Total program revenues	<u>1,691,947</u>	<u>1,558,927</u>	<u>123,678</u>	<u>58,232</u>	<u>1,815,625</u>	<u>1,617,159</u>
General revenues:						
Local sources	441,987	260,239	-	-	441,987	260,239
State sources	641,016	633,999	-	-	641,016	633,999
On-behalf payments	647,304	833,252	-	-	647,304	833,252
Interest	456	514	-	-	456	514
Loss on disposal of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues	<u>1,730,763</u>	<u>1,728,004</u>	<u>-</u>	<u>-</u>	<u>1,730,763</u>	<u>1,728,004</u>
Total Revenues	<u>3,422,710</u>	<u>3,286,931</u>	<u>123,678</u>	<u>58,232</u>	<u>3,546,388</u>	<u>3,345,163</u>
Expenses:						
Salaries	1,366,529	1,211,478	2,216	-	1,368,745	1,211,478
Benefits	182,479	169,903	1,146	-	183,625	169,903
Purchased services	577,692	520,769	2,155	-	579,847	520,769
Supplies and materials	90,356	89,661	119,459	78,960	209,815	168,621
Capital Outlay	482	-	-	-	482	-
Depreciation	24,480	35,758	-	-	24,480	35,758
Other	-	-	-	-	-	-
Pension Expense	123,292	260,947	-	-	123,292	260,947
Payments to other governmental units	396,863	334,572	-	-	396,863	334,572
On-behalf payments	<u>647,304</u>	<u>833,252</u>	<u>-</u>	<u>-</u>	<u>647,304</u>	<u>833,252</u>
Total expenses	<u>3,409,477</u>	<u>3,456,340</u>	<u>124,976</u>	<u>78,960</u>	<u>3,534,453</u>	<u>3,535,300</u>
Excess (Deficiency) before transfers	13,233	(169,409)	(1,298)	(20,728)	11,935	(190,137)
Transfers	<u>(35)</u>	<u>-</u>	<u>35</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	13,198	(169,409)	(1,263)	(20,728)	11,935	(190,137)
Net Position – beginning (restated-see Note 15)	<u>373,307</u>	<u>(67,885)</u>	<u>34,330</u>	<u>20,728</u>	<u>407,637</u>	<u>(47,157)</u>
Net Position – ending	<u>\$ 386,505</u>	<u>\$ (237,294)</u>	<u>\$ 33,067</u>	<u>\$ -</u>	<u>\$ 419,572</u>	<u>\$ (237,294)</u>

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Governmental Activities

Excluding on-behalf payments, revenues from governmental activities were \$2,775,371 and expenses were \$2,762,173. The overall increase in expenses over the prior year was primarily due to the increases in salaries, benefits, and purchased services. The Regional Office plans to streamline activities and maximize efficiency to maintain services offered to and needed by local school districts in future fiscal years.

Business-Type Activities

Revenues and expenses for the Regional Office's business-type activities increased from the prior fiscal year primarily due to an increase in quantity of paper requested and purchased in fiscal year 2016 for the local school districts.

Financial Analysis of the Regional Office of Education #21 Funds

Governmental Fund Highlights

As previously noted, the Regional Office uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Regional Office's governmental funds reported combined fund balances of \$130,209, a decrease from last year's ending fund balance of \$365,660. The primary reason for the decrease in combined fund balances in fiscal year 2016 was due to the reduction of State and Federal sourced revenues received for the fiscal year 2016 and an increase in the salaries and benefits expenses.

Budgetary Highlights

The Regional Office annually adopts program budgets on a basis consistent with U.S. generally accepted accounting principles. The Illinois State Board of Education reviews many of the proposed grant budgets and either grants approval or returns them without approval, with comments. Any unapproved budget must be resubmitted to the Illinois State Board of Education or other granting agency for final approval. The budgets may be amended during the year utilizing procedures prescribed by the Illinois State Board of Education or other applicable granting agency.

Capital Assets

Capital Assets of the Regional Office include office equipment, computers, audio-visual equipment, and office furniture. The Regional Office maintains an inventory of capital assets, which have been accumulated over time. The decrease for fiscal year 2016 was a result of current year depreciation, offset by current year additions. The Regional Office's ending net capital asset balance for fiscal year 2016 is \$16,073, which is the total original cost of the capital assets less accumulated depreciation. More detailed information about capital assets is available in Note 9 to the financial statements.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Factors or Conditions Impacting Future Periods

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

- The State of Illinois Foundation level is expected to remain constant at \$6,119 per student; however, there is a concern that the State will not be able to make all of their General State Aid payments for fiscal year 2017 in fiscal year 2017.
- The number of students served by the Regional Office is expected to remain constant.
- Several grants have had their funding levels increased for the coming year.
- The Regional Office will continue to serve as area-wide fiscal agent for the McKinney-Vento Homeless program and the Statewide System of Support program which will greatly affect its operations due to increased program activity.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the Regional Office's 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 Regional Superintendent of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 at 202 W. Main, Benton, IL 62812.

BASIC FINANCIAL STATEMENTS

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 180,809	\$ 457	\$ 181,266
Internal balances	(32,000)	32,000	-
Accounts receivable	21,888	547	22,435
Due from other governments	488,771	-	488,771
Prepaid expenses	13,174	63	13,237
Total Current Assets	672,642	33,067	705,709
Noncurrent Assets			
Capital assets, net of depreciation	16,073	-	16,073
Total Noncurrent Assets	16,073	-	16,073
Total Assets	688,715	33,067	721,782
Deferred Outflows of Resources	-	-	-
Liabilities			
Current Liabilities			
Accounts payable	4,152	-	4,152
Accrued wages and benefits	77,459	-	77,459
Due to other governments	213,112	-	213,112
Unearned revenue	210	-	210
Total current liabilities	294,933	-	294,933
Noncurrent Liabilities			
Net OPEB liability	7,277	-	7,277
Total noncurrent liabilities	7,277	-	7,277
Total Liabilities	302,210	-	302,210
Deferred Inflows of Resources	-	-	-
NET POSITION			
Invested in capital assets, net of related debt	16,073	-	16,073
Restricted for educational purposes	139,493	-	139,493
Unrestricted	230,939	33,067	264,006
TOTAL NET POSITION	\$ 386,505	\$ 33,067	\$ 419,572

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

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Primary Government							
Governmental activities							
Instructional services							
Salaries	\$ 1,366,529	\$ 5,488	\$ 800,134	\$ -	\$ (560,907)	\$ -	\$ (560,907)
Employee benefits	182,479	510	92,207	-	(89,762)	-	(89,762)
Pension expense	123,292	-	-	-	(123,292)	-	(123,292)
Purchased services	577,692	57,857	403,240	-	(116,595)	-	(116,595)
Supplies and materials	90,356	2,902	57,427	-	(30,027)	-	(30,027)
Other	-	-	-	-	-	-	-
Payments to other governmental units	396,863	-	270,381	-	(126,482)	-	(126,482)
Depreciation	24,480	-	-	-	(24,480)	-	(24,480)
Capital outlay	482	-	1,801	-	1,319	-	1,319
Administrative							
On-behalf payments	647,304	-	-	-	(647,304)	-	(647,304)
Total Governmental Activities	<u>3,409,477</u>	<u>66,757</u>	<u>1,625,190</u>	<u>-</u>	<u>(1,717,530)</u>	<u>-</u>	<u>(1,717,530)</u>
Business-type activities							
Fees for services	124,976	123,678	-	-	-	(1,298)	(1,298)
Total Business-Type Activities	<u>124,976</u>	<u>123,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,298)</u>	<u>(1,298)</u>
Total Primary Government	<u>\$ 3,534,453</u>	<u>\$ 190,435</u>	<u>\$ 1,625,190</u>	<u>\$ -</u>	<u>(1,717,530)</u>	<u>(1,298)</u>	<u>(1,718,828)</u>
General revenues and transfers							
Local sources					441,987	-	441,987
State sources					641,016	-	641,016
Federal sources					-	-	-
On-behalf payments					647,304	-	647,304
Interest					456	-	456
Transfers					(35)	35	-
Total General Revenues and Transfers					<u>1,730,728</u>	<u>35</u>	<u>1,730,763</u>
Change in Net Position					13,198	(1,263)	11,935
Net Position - Beginning (Restated, See Note 15)					<u>373,307</u>	<u>34,330</u>	<u>407,637</u>
Net Position - Ending					<u>\$ 386,505</u>	<u>\$ 33,067</u>	<u>\$ 419,572</u>

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

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Eliminations	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 104,879	\$ 5,962	\$ 55,296	\$ 14,672	\$ -	\$ 180,809
Due from other funds	198,747	-	42,613	-	(273,360)	(32,000)
Accounts receivable	2,749	-	18,754	385	-	21,888
Due from other governments	31,657	455,647	-	1,467	-	488,771
Prepaid expenses	12,807	-	367	-	-	13,174
Total Assets	<u>350,839</u>	<u>461,609</u>	<u>117,030</u>	<u>16,524</u>	<u>(273,360)</u>	<u>672,642</u>
Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 350,839</u>	<u>\$ 461,609</u>	<u>\$ 117,030</u>	<u>\$ 16,524</u>	<u>\$ (273,360)</u>	<u>\$ 672,642</u>
Liabilities						
Accounts payable	\$ 4,120	\$ 32	\$ -	\$ -	\$ -	\$ 4,152
Accrued wages and benefits	77,459	-	-	-	-	77,459
Due to other funds	-	273,360	-	-	(273,360)	-
Due to other governments	31,044	182,068	-	-	-	213,112
Unearned revenue	-	210	-	-	-	210
Total liabilities	<u>112,623</u>	<u>455,670</u>	<u>-</u>	<u>-</u>	<u>(273,360)</u>	<u>294,933</u>
Deferred Inflows of Resources						
Unavailable revenue	<u>7,303</u>	<u>240,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,500</u>
Fund Balance (Deficits)						
Nonspendable	12,807	-	367	-	-	13,174
Restricted	-	5,804	116,663	16,524	-	138,991
Assigned	64,289	-	-	-	-	64,289
Unassigned	153,817	(240,062)	-	-	-	(86,245)
Total Fund Balances (Deficits)	<u>230,913</u>	<u>(234,258)</u>	<u>117,030</u>	<u>16,524</u>	<u>-</u>	<u>130,209</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 350,839</u>	<u>\$ 461,609</u>	<u>\$ 117,030</u>	<u>\$ 16,524</u>	<u>\$ (273,360)</u>	<u>\$ 672,642</u>

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

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2016**

Total Fund Balances - Governmental Funds	\$	130,209
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Some revenue will not be collected for several months after the Regional Office fiscal year ends; they are considered "unavailable" revenues and are deferred inflows of resources in the governmental funds.</p>		
Current year unavailable revenue		247,500
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds, net of accumulated depreciation of \$468,613</p>		
		16,073
<p>The OPEB obligations resulting from annual required contributions in excess of actual contributions are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
		<u>(7,277)</u>
Net Position of Governmental Activities	\$	<u><u>386,505</u></u>

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

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Eliminations	Total Governmental Funds
Revenues						
Local sources	\$ 434,032	\$ 652	\$ 56,060	\$ 9,370	\$ -	\$ 500,114
State sources	641,016	233,427	-	1,327	-	875,770
Federal sources	-	1,164,931	-	-	-	1,164,931
Interest	456	-	-	-	-	456
Payments made on behalf of region	647,304	-	-	-	-	647,304
Total Revenues	<u>1,722,808</u>	<u>1,399,010</u>	<u>56,060</u>	<u>10,697</u>	<u>-</u>	<u>3,188,575</u>
Expenditures						
Instructional Services						
Salaries	619,213	741,992	1,195	2,540	-	1,364,940
Employee benefits	96,625	85,507	152	195	-	182,479
Pension expense	19,289	103,995	8	-	-	123,292
Purchased services	164,381	373,939	35,548	3,824	-	577,692
Supplies and materials	35,127	53,254	1,742	233	-	90,356
Payments to other governmental units	126,482	270,381	-	-	-	396,863
Payments made on behalf of region	647,304	-	-	-	-	647,304
Capital outlay	4,934	1,801	-	-	-	6,735
Total Expenditures	<u>1,713,355</u>	<u>1,630,869</u>	<u>38,645</u>	<u>6,792</u>	<u>-</u>	<u>3,389,661</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,453</u>	<u>(231,859)</u>	<u>17,415</u>	<u>3,905</u>	<u>-</u>	<u>(201,086)</u>
Other Financing Sources (Uses)						
Transfers in	290	3,049	108	14	(3,496)	(35)
Transfers out	(3,496)	-	-	-	3,496	-
Total Other Financing Sources (Uses)	<u>(3,206)</u>	<u>3,049</u>	<u>108</u>	<u>14</u>	<u>-</u>	<u>(35)</u>
Net Change in Fund Balance	6,247	(228,810)	17,523	3,919	-	(201,121)
Fund Balances (Deficits) - Beginning, Restated (See Note 15)	<u>224,666</u>	<u>(5,448)</u>	<u>99,507</u>	<u>12,605</u>	<u>-</u>	<u>331,330</u>
Fund Balances (Deficits) - Ending	<u>\$ 230,913</u>	<u>\$ (234,258)</u>	<u>\$ 117,030</u>	<u>\$ 16,524</u>	<u>\$ -</u>	<u>\$ 130,209</u>

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

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
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, 2016**

Net Change in Fund Balance - Total Governmental Funds \$ (201,121)

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

Some revenues will not be collected for several months after the Regional Office's fiscal year ends. They are not considered "available" revenues and are deferred inflows of resources in the governmental funds.

FY2015 unavailable revenue recognized in FY2016 - Federal sources	\$ (13,365)	
FY2016 unavailable revenue - local sources	7,303	
FY2016 unavailable revenue - State sources	89,607	
FY2016 unavailable revenue - Federal sources	150,590	234,135

Governmental funds report capital outlays as expenditures and proceeds from disposals as revenue. However, in the Statement of Activities the cost of those assets, which meet capitalization requirements, is allocated over their estimated useful lives and reported as depreciation expense and gains and losses are reported on disposals.

Capital outlay	6,253	
Depreciation expense	(24,480)	(18,227)

The increase in OPEB obligation resulting from annual required contributions in excess of the contributions do not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.

	(1,589)	(1,589)
--	---------	---------

Change in Net Position of Governmental Activities \$ 13,198

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

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Business-Type Activities - Enterprise Fund		Totals
	Nonmajor Proprietary Funds		
	Paper Bid	Enterprise/ Workshop	
Assets			
Cash and cash equivalents	\$ -	\$ 457	\$ 457
Due from other funds	-	32,000	32,000
Accounts receivable	-	547	547
Prepaid expenses	-	63	63
Total Assets	<u>-</u>	<u>33,067</u>	<u>33,067</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities			
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Unrestricted	<u>\$ -</u>	<u>\$ 33,067</u>	<u>\$ 33,067</u>

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

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2016**

	Business-Type Activities - Enterprise Fund		Totals
	Nonmajor Proprietary Funds		
	Paper Bid	Enterprise/ Workshop	
Operating Revenues			
Charge for services	\$ 115,548	\$ 8,130	\$ 123,678
Total Operating Revenues	<u>115,548</u>	<u>8,130</u>	<u>123,678</u>
Operating Expenses			
Salaries	-	2,216	2,216
Employee benefits	-	1,146	1,146
Purchased services	-	2,155	2,155
Supplies and materials	115,548	3,911	119,459
Total Operating Expenses	<u>115,548</u>	<u>9,428</u>	<u>124,976</u>
Operating Income (Loss)	-	(1,298)	(1,298)
Transfers in	<u>-</u>	<u>35</u>	<u>35</u>
Change in Net Position	-	(1,263)	(1,263)
Net Position - Beginning, Restated (See Note 16)	<u>-</u>	<u>34,330</u>	<u>34,330</u>
Net Position - Ending	<u>\$ -</u>	<u>\$ 33,067</u>	<u>\$ 33,067</u>

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

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Fund		Totals
	Nonmajor Proprietary Funds		
	Paper Bid	Enterprise/ Workshop	
Cash flows from operating activities:			
Receipts from customers	\$ 115,548	\$ 7,619	\$ 123,167
Payments to suppliers and providers for goods and services	(115,548)	(6,066)	(121,614)
Payments to employees	-	(3,362)	(3,362)
Net cash provided by (used for) operating activities	<u>-</u>	<u>(1,809)</u>	<u>(1,809)</u>
Cash flows from noncapital financing activities:			
Cash transfers from other funds	-	35	35
Interfund loans received (made)	-	(12,000)	(12,000)
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>(11,965)</u>	<u>(11,965)</u>
Net increase (decrease) in cash and cash equivalents	-	(13,774)	(13,774)
Cash and cash equivalents - beginning of year	<u>-</u>	<u>14,231</u>	<u>14,231</u>
Cash and cash equivalents - end of year	<u>\$ -</u>	<u>\$ 457</u>	<u>\$ 457</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ -	\$ (1,298)	\$ (1,298)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Change in assets and liabilities:			
Increase in accounts receivable	-	(511)	(511)
Net cash provided by (used for) operating activities	<u>\$ -</u>	<u>\$ (1,809)</u>	<u>\$ (1,809)</u>

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

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 146
Due from other governments	<u>1,514,429</u>
Total Assets	<u><u>\$ 1,514,575</u></u>
Liabilities	
Due to other governments	<u>\$ 1,514,575</u>
Total Liabilities	<u><u>\$ 1,514,575</u></u>

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

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Regional Office of Education #21 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

In 2016, the Regional Office of Education #21 implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No. 76, *The Hierarchy of Generally Accepted Principles for State and Local Governments – supersedes* GASB Statement No. 55. The Regional Office of Education #21 implemented these standards during the current year. The implementation of GASB Statement No. 72 establishes guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments and disclosures. The implementation of GASB Statement No. 76 prioritizes the guidance state and local governments follow when preparing financial statements in accordance with *Generally Accepted Accounting Principles*.

A. Date of Management’s Review

Management has evaluated subsequent events through June 9, 2017, the date when the financial statements were available to be issued.

B. Financial Reporting Entity

The Regional Office operates under the School Code (Articles 5/3 and 5/3A of *Illinois Compiled Statutes*, Chapter 105). The Regional Office of Education #21 encompasses Franklin, Johnson, Massac, and Williamson Counties. The Regional Superintendent of Schools (Regional Superintendent) serves as chief administrative officer of the Regional Office of Education #21 and is elected pursuant to Article 3, *Illinois Compiled Statutes*, Chapter 105.

The Regional Superintendent is charged with the 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 the region; examine evidence of indebtedness; to file and keep returns of elections required to be returned to the Regional Superintendent’s office; and to 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 Regional Office of Education #21’s districts; providing township treasurers with a list of district treasurers; inspecting and approving building plans which comply with State law; to perform and report on annual building inspections; investigating bus drivers for valid bus driver permits and taking related action as may be required; maintaining a list of unfilled teaching positions; and to carrying out other related duties required or permitted by law.

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Reporting Entity (Concluded)

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 the Regional Superintendent's 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 bond 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.

For the period ended June 30, 2016, the Regional Office of Education #21 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 Regional Office of Education #21. Such activities are reported as a single major fund (Education Fund).

The Regional Office of Education #21 also acts as the administrative agent for the Franklin County Regional Delivery System (a joint agreement). As administrative agent, the Regional Office of Education #21 is responsible for the receipt and distribution of the System's funding, as well as all necessary reporting requirements for the Illinois State Board of Education and other granting agencies.

C. Scope of Reporting Entity

The Regional Office of Education #21's reporting entity includes all related organizations for which they exercise oversight responsibility.

The Regional Office of Education #21 has developed criteria to determine whether outside agencies with activities that benefit the citizens of the region, including districts or joint agreements which serve pupils from numerous regions, should be included in the financial reporting entity. The criteria include, but are not limited to, whether the Regional Office of Education #21 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.

The districts and joint agreements have been determined not to be a 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 Regional Office of Education #21 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education #21 is not aware of any entity which would exercise such oversight as to result in the Regional Office of Education #21 being considered a component unit of the entity.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Scope of Reporting Entity (Concluded)

Based on the criteria above, the expenditures paid through the funds of Franklin, Johnson, Massac, and Williamson Counties, for operation of the Regional Office of Education #21, are not included in the reporting entity because it is the county boards that authorize, oversee, and control these expenditures.

D. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the non-fiduciary activities of the Regional Office of Education #21. The effect of interfund activity has been removed from these statements. Governmental activities are supported by intergovernmental revenues and are reported separate from business-type activities, which rely, to a significant extent, on fees and charges for support.

The Statement of Net Position and the Statement of Activities are presented on an “economic resources” measurement focus prescribed by GASB Statement No. 34. All of the Regional Office of Education #21’s assets and deferred outflows of resources and liabilities and deferred inflows of resources, including capital assets, are included in the accompanying Statement of 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: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and reported in a single column.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, such as, payables, receivables and transfers. Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the governmental fund Balance Sheet and proprietary fund Statement of Net Position and as other financing sources and uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and business-type funds remain as due to/due from on the government-wide financial statements.

The purpose of interfund borrowing and permanent transfers is to cover temporary or permanent shortfalls in cash flow within grant programs and funds.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and nonmajor funds aggregated.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and deferred outflows of resources and liabilities and deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues, if any, are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses, if any, are reported as non-operating expenses.

F. Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual, i.e., when both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Regional Office of Education #21 considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues received more than 60 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 in the accounting period in which the fund liability is incurred, if measurable, except expenditures for other long-term obligations, which are recognized when paid.

G. Measurement Focus and Basis of Accounting

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 grantor have been met.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Measurement Focus and Basis of Accounting (Concluded)

The governmental funds financial statements focus on the measurement of spending or "financial flow" and the determination of changes in financial position, rather than upon net income determination. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current position) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

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 Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21; therefore, revenues are considered to be earned to the extent of expenditures made under the provisions of the grant. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable 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.

Under the terms of grant agreements, Regional Office of Education #21 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 resources available to finance the program. It is Regional Office of Education #21's policy to first apply restricted funds, then unrestricted resources as they are needed. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned if any.

H. Fund Accounting

The Regional Office of Education #21 uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Regional Office of Education #21 uses governmental, proprietary, and fiduciary funds.

Governmental Funds

Governmental funds are those through which most governmental functions of the Regional Office of Education #21 are typically reported. Reporting for governmental funds focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as a fund balance.

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Fund Accounting (Continued)

Governmental Funds (Continued)

As prescribed by GASB Statement No. 34, governmental fund reporting focuses on the major funds, rather than on the fund type. There is a two-step process for determining if a fund should be reported as a major fund: (1) total assets (including deferred outflows of resources), liabilities (including deferred inflows of resources), revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for the fund type, and (2) total assets (including deferred outflows of resources), liabilities (including deferred inflows of resources), revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and proprietary funds combined. Funds that do not meet the major fund determination requirements are reported in aggregate as nonmajor funds. The Regional Office of Education #21 has presented all major funds that met the above qualifications.

The Regional Office of Education #21 reports the following major governmental funds:

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 and reported for in another fund. The General Fund is always considered a major fund. General funds include the following:

County Budget – Accounts for monies received from the Franklin, Johnson, Massac, and Williamson County Boards to help support the day to day staffing and expenses of the Regional Office of Education #21.

Education Careers Heightened Opportunity (ECHO) – Used to account for General State Aid monies received for the general operations of the alternative school.

General Operating – Used to accumulate miscellaneous receipts to support the day to day expenses of the Regional Office.

School Facility Occupation Tax Interest Allocation – Used to account for the interest earned on the Franklin and Williamson Counties School Facility Occupation Tax while it is held in the Regional Office's accounts before each month's distribution. If the ROE has agreements in place with the school districts, the ROE may keep the interest earned.

Interest Allocation – Accounts for accumulated interest earned on Regional Office funds from the Illinois Funds and local banks and allocated on a monthly basis to funds having cash balances.

Prevention Social Marketing – Accounts for monies received through donations for use in marketing campaigns focused on issues related to student social issues.

Academic Achievement – Accounts for expenditures related to the annual county-wide academic banquets and other award programs and any reimbursements received for those events.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Fund Accounting (Continued)

Governmental Funds (Continued)

General State Aid Safe Schools – Used to account for General State Aid monies received for programs – i.e. S.T.A.R. Quest Academy RSSP – for disruptive students in public schools served by the Regional Office who are eligible for suspension or expulsion.

Juvenile Detention Center – Used to account for Local monies received from school districts to operate the educational program at the Franklin County Juvenile Detention Center.

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

Education – This 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 specific purposes supporting education enhancement programs as follows:

McKinney-Vento Education for Homeless Children – This grant provides funds for providing information to schools, community members and government entities about the educational rights of and services for programs for homeless students.

Substance Abuse Prevention and Treatment Block Grant – The Regional Office is the administrative agent for the Department of Human Services funded Community Prevention Resources program which supports prevention professionals trained to assist communities and schools with the knowledge and skills for effective alcohol, tobacco, and other drug prevention.

New Principal Mentoring Program – This program provides for the selection and training of experienced principals to serve as mentors for new principals and for the new principals' participation in the mentoring program designed for them. Funds flow through the Illinois Principals Association from the Illinois State Board of Education.

Title I System of Support – Grant monies in this fund are used to provide professional development foundational service activities for staff in all schools in the region while also working with Illinois CSI as they provide more focused and priority services to poorer performing schools identified by the State of Illinois.

Title II Teacher Quality - Leadership Grant – Grant monies received in this fund from the Illinois State Board of Education are used to facilitate teacher and principal evaluation trainings.

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Fund Accounting (Continued)

Governmental Funds (Continued)

FY16 Partnership for College and Career Success – Funds that provide professional development connecting secondary and postsecondary educational elements for high schools in Franklin, Williamson, Jefferson, and Hamilton counties, as well as Wayne City High School with Rend Lake College.

Title II Teacher Quality ECHO – Monies received from the Illinois State Board of Education assist in recruiting, hiring, and retaining highly qualified teachers. These funds also provide for teacher and paraprofessional training.

Tides Foundation Art Grant – This program is funded by the Tides Foundation to purchase art supplies.

State Free Lunch and Breakfast – This program is funded by State monies to provide free breakfast and lunch to eligible needy students enrolled in the Regional Safe Schools Program.

Federal Lunch and Breakfast – This program is funded by federal grants to provide reimbursement of meals through the school lunch and breakfast program and free or reduced-price meals for students enrolled in the Regional Safe Schools Program.

ROE/ISC Operations – Monies received from State sources to help support the administrative costs with quality and effectiveness as they perform identified State functions and services including continuous school improvement programs and services.

Regional Safe Schools – This fund provides alternative placement for those students in a safe school program.

Truants Alternative Optional Education Program (TAOEP) – This program is devoted to ensuring that each referred at-risk student will be provided with individualized educational and supplemental services that meet the holistic needs of students in pursuit of their education development. TAOEP offerings include: identification of at-risk students and dropouts, truancy intervention services, academic intervention and remediation, parental skills development, and network with community agencies and businesses.

Institute Fund – This fund is used to account for and report the proceeds of specific revenue sources (other than fiduciary or major capital projects) that are restricted to expenditures for specified purposes supporting programs as follows:

Institute – Used to account for examination, registration and renewal fees, and to defray expenses incidental to teacher's institutes, workshops, and professional meetings.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Fund Accounting (Continued)

Governmental Funds (Concluded)

Technology – Accounts for E-Rate technology reimbursements, as well as the purchase of technology-related supplies and services.

Nonmajor Special Revenue Funds – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources (other than fiduciary or major capital projects) that are restricted to expenditures for specified purposes. Nonmajor special revenue funds include the following:

Bus Driver Permit Fund – Accounts for funds received from registrations and user fees which are used to test and train bus drivers.

General Education Development Fund – Accounts for the administration of the General Education Development (GED) Testing Program with revenues from testing and diploma fees used to pay administrative expenses incurred. Illinois law requires the Regional Superintendent of Schools of each county/counties to administer the GED test. The GED tests are given through Pearson VUE, an outside vendor, and are proctored by the Regional Office's staff in a computer lab located at John A. Logan College in Williamson County. Shawnee College in Ullin is another local Pearson VUE testing center for the southern counties of the Regional Office.

Proprietary Funds

Proprietary funds are those in which revenues and expenses related to services provided to organizations inside the Regional Office of Education #21 on a cost reimbursement basis are reported.

Nonmajor Proprietary Funds – The Regional Office of Education #21 reports the following proprietary funds as a nonmajor funds:

Paper Bid – This program is used to purchase paper in bulk for the schools in order to reduce their costs.

Enterprise/Workshop – Used to account for revenues received from workshops held by the Regional Office.

Fiduciary Funds

Agency Funds are used to account for assets held by the Regional Office of Education #21 in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds include the following:

School Facility Occupation Tax – The Regional Office receives proceeds generated through the school facility occupation tax. Within thirty days, the Regional Superintendent must disburse those proceeds that it receives that are collected by the Illinois Department of Revenue to each school district that has territory located in the county in which the tax was collected. The proceeds must be

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Fund Accounting (Concluded)

Fiduciary Funds (Concluded)

disbursed on an enrollment basis and allocated based upon the number of each school district's resident pupils that reside within the county collecting the tax divided by the total number of students for all school districts within the county.

Franklin County Regional Delivery System (Joint Agreement) – The Franklin County Regional Delivery System consists of six Franklin County high schools whose students generate vocational credits which are reimbursed through CTEI and Perkins grants. The Systems' governing board, referred to as the Board of Control, consists of the six district superintendents of the county high schools and the Regional Superintendent of Schools. The Board hires a System director, special populations coordinator, and programs of study/Partnerships for College and Career Success coordinator who assist the System director in compliance with the goals of the grants with regards to improvement of instruction and maintenance of high quality programming. Some funds are earmarked for elementary schools in the county to advance their efforts in early career exploration.

I. Governmental Fund Balances

Fund balance is the difference between assets plus deferred outflows of resources and liabilities plus 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. The following General Fund accounts have nonspendable fund balances: ECHO, General Operating, and General State Aid Safe Schools. The following Major Special Revenue fund had a nonspendable fund balance: Institute.

Restricted Fund Balance – The portion of a governmental fund's net position that is subject to external enforceable legal restrictions. The following Education fund accounts fund balances are restricted by grant agreements or contracts: New Principal Mentoring Program, State Free Lunch and Breakfast, and Federal Lunch and Breakfast. The following Major Special Revenue Fund is restricted by Illinois Statute: Institute. The following Nonmajor Special Revenue Funds are restricted by Illinois Statute: Bus Driver Permit and General Education Development.

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. The Regional Office of Education #21 has no committed fund balances.

Assigned Fund Balance – The portion of a governmental fund's net position for which an intended use of resources has been denoted. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The following General Fund account had an assigned fund balance: County Budget.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Governmental Fund Balances (Concluded)

Unassigned Fund Balance – Available expendable financial resources in a governmental fund that are not designated for a specific purpose. The following General Fund accounts have unassigned fund balances (deficits): ECHO, General Operating, School Facility Occupation Tax Interest Allocation, Interest Allocation, Prevention Social Marketing, General State Aid Safe Schools, and Juvenile Detention Center. The following Education fund accounts have an unassigned fund deficit: McKinney Education for Homeless Children, Title I System of Support, ROE/ISC Operations, and Regional Safe Schools.

J. 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, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings, if any, that are attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net position – The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

K. Cash and Cash Equivalents

Cash and cash equivalents consists of cash on deposit. The Regional Office of Education #21 considers all liquid investments, including certificates of deposit, to be cash equivalents.

L. Interfund Receivables and Payables

The recordings of due from and due to other funds are a result of various borrowings between funds during the year.

M. Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more and estimated useful lives of greater than one year are recorded at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Capital Assets (Concluded)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Equipment and Furniture	3-10 years
Building Improvements	10-15 years
Building	40 years

N. Deferred Outflows of Resources and Deferred 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 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 are reported in the governmental fund financial statements as unavailable revenue and represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not 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 consist of grant receivables not collected within sixty days after year end.

O. Estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

P. Compensated Absences

Compensated absences do not vest or accumulate and are recorded as expenditures when paid.

Q. Budget Information

The Regional Office of Education #21 acts as the administrative agent for certain grant programs that are accounted for within the Education Fund. These programs have separate budgets and are required to be reported to the Illinois State Board of Education and Illinois Department of Human Services; however, none of the annual budgets have been legally adopted, nor are they required to do so. Certain programs within the Special Revenue Fund do not have separate budgets. Comparisons of budgeted and actual results for the following programs are presented as supplementary information: McKinney Education for Homeless

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Q. Budget Information (Concluded)

Children, Substance Abuse Prevention and Treatment Block Grant, Title I System of Support, Title II Teacher Quality - Leadership, FY16 Partnership for College and Career Success, Title II Teacher Quality ECHO, ROE/ISC Operations, Regional Safe Schools, and Truants Alternative/Optional Education.

NOTE 2: CASH AND CASH EQUIVALENTS

Illinois Compiled Statutes authorize the Regional Office of Education #21 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, 2016, the carrying amount of the Regional Office of Education #21's government-wide and fiduciary fund deposits were \$181,266 and \$146, respectively, and the bank balances were \$347,304 and \$52,418, respectively.

At June 30, 2016, \$250,000 of the Regional Office of Education #21's cash deposits were insured by the Federal Deposit Insurance Corporation. The remaining \$149,722 was collateralized by securities pledged by the Regional Office of Education #21's financial institution in the name of the Regional Office.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Regional Office of Education's deposits may not be returned to it. The Regional Office of Education #21 does not have a formal deposit policy for custodial credit risk but follows the Public Funds Investment Act (30 ILCS 235/2 and 6), and Section 8-7 of the School Code.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Regional Office of Education #21 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Regional Office of Education #21 is allowed to invest in securities as authorized by Sections 2 and 6 of the Public Funds Investment Act (30 ILCS 235/2 and 6), and Section 8-7 of the School Code. The Regional Office of Education #21 has no investment policy that would further limit its investment choices. As of June 30, 2016 the Regional Office of Education #21 was in compliance with these guidelines.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 3: DEFINED BENEFIT PENSION PLAN

Plan Description. The Regional Office of Education #21’s defined benefit pension plan for Regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The Regional Office of Education #21’s plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information (RSI). The report may be obtained on-line at www.imrf.org.

Funding Policy. As set by statute, the Regional Office of Education #21’s Regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Regional Office of Education #21’s annual required contribution rate for calendar year 2015 was 8.92%. The Regional Office of Education #21 also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. The required contribution for calendar year 2015 was \$41,626.

THREE YEAR TREND INFORMATION

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/15	\$ 41,626	100%	\$ 0
12/31/14	39,403	100%	0
12/31/13	39,914	100%	0

The required contribution for 2015 was determined as part of the December 31, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2013 included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.40% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3.00% annually. The actuarial value of the Regional Office of Education #21’s Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20.00% corridor between the actuarial and market value of assets. The Regional Office of Education #21’s Regular plan’s overfunded actuarial accrued liability at December 31, 2012 is being amortized as a level percentage of projected payroll on an open 10 year basis.

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the Regular plan was 105.90% funded. The actuarial accrued liability for benefits was \$1,892,986 and the actuarial value of assets was \$2,004,721, resulting in an overfunded actuarial accrued liability (UAAL) of \$111,735. The covered payroll for calendar year 2015 (annual payroll of active employees covered by the plan) was \$466,654. Because the plan is overfunded, there is no ratio of the UAAL to the covered payroll.

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 3: DEFINED BENEFIT PENSION PLAN (CONCLUDED)

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 4: TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

The Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago.

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

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The active member contribution rate for the year ended June 30, 2016 was 9.4% of creditable earnings. The same contribution rate applies to members whose first contributing service is on or after January 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4% for the years ended June 30, 2015 and 2014.

The State of Illinois makes contributions directly to TRS on behalf of the Regional Office of Education #21's TRS-covered employees.

- **On behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #21. For the year ended June 30, 2016, the State of Illinois contributions were based on 36.06% of creditable earnings not paid from federal funds, and the Regional Office of Education #21 recognized revenue and expenditures of \$301,727 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2015 and June 30, 2014, the contribution rates were 33.00% (\$204,210) and 35.41% (\$339,589), respectively.

The Regional Office of Education #21 makes other types of employer contributions directly to TRS.

- **2.2 formula contributions.** Employers contribute 0.58% of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ending June 30, 2016 were \$4,815. Contributions for the years ending June 30, 2015 and June 30, 2014 were \$4,996 and \$5,526, respectively.

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 4: 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 Regional Office of Education #21, there is a statutory requirement for the Regional Office of Education #21 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, 2016, the employer pension contribution was 36.06% of salaries paid from federal and special trust funds. For the years ended June 30, 2015 and 2014, the employer contribution was 33.00% and 35.41%, respectively. For the year ended June 30, 2016, salaries totaling \$206,227 were paid from federal and special trust funds that required employer contributions of \$74,365. For the years ended June 30, 2015 and June 30, 2014, required Regional Office of Education #21 contributions were \$80,068 and \$64,161, respectively.

- **Early Retirement Option.** The Regional Office of Education #21 is also required to make one-time employer contributions to TRS for members retiring under the early retirement option (ERO). The payments vary depending on the age and salary of the member. The maximum employer ERO contribution under the current program is 146.5% and applies when the member is age 55 at retirement.

For the year ended June 30, 2016, the Regional Office of Education #21 paid no employer contributions to TRS under the ERO program. For the years ended June 30, 2015 and June 30, 2014, the Regional Office of Education #21 paid no employer ERO contributions.

- **Salary increases over 6 percent and excess sick leave.** If the Regional Office of Education #21 grants salary increases over 6% and those salaries are used to calculate a retiree's final average salary, the Regional Office of Education #21 makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases of up to 6%.

For the year ended June 30, 2016, the Regional Office of Education #21 paid \$0 to TRS for employer contributions due on salary increases in excess of 6%. For the years ended June 30, 2015 and June 30, 2014, the Regional Office of Education #21 paid \$0 and \$0, respectively.

If the Regional Office of Education #21 grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, Regional Office of Education #21 makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary rate reported by the granting employer during the four-year sick leave review period, and the TRS total normal cost rate.

For the year ended June 30, 2016, the Regional Office of Education #21 paid no TRS contributions for sick leave days granted in the excess of the normal annual allotment. For the years ended June 30, 2015 and June 30, 2014, the Regional Office of Education #21 paid no employer contributions granted for sick leave days.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 4: TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (CONCLUDED)

Further information on TRS. 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, 2015. The report for the year ended June 30, 2016, is expected to be available in late 2016.

The reports may be obtained at <http://trs.illinois.gov/pubs/cafr>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 877-0890, option 2.

NOTE 5: OTHER POST-EMPLOYMENT BENEFITS

A. Teacher Health Insurance Security Fund

The Regional Office of Education #21 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 Medicare Advantage plans.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The plan is administered by 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 Regional Office of Education #21. State contributions are intended to match contributions to the THIS Fund from active members which were 1.07 percent of pay during the year ended June 30, 2016. State of Illinois contributions were \$8,883, and the Regional Office of Education #21 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2015 and June 30, 2014 were 1.02 and 0.97 percent of pay, respectively. State contributions on behalf of the Regional Office of Education #21's employees were \$8,787 and \$9,242, respectively.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 5: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

A. Teacher Health Insurance Security Fund (Concluded)

Employer contributions to THIS Fund. The Regional Office of Education #21 also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.80 percent during the year ended June 30, 2016. For the year ended June 30, 2016, the Regional Office of Education #21 paid \$6,641 to the THIS Fund, which was 100 percent of the required contribution. For the years ended June 30, 2015 and 2014, the Regional Office paid \$6,547 and \$6,860 to the THIS Fund, respectively.

Further information on 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.”

B. Illinois Municipal Retirement Fund

Plan Description. In addition to providing pension benefits, the Regional Office of Education #21 provides postemployment health care benefits (OPEB) for retired employees through a single employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the Regional Office of Education #21 and can be amended by the Regional Office through its personnel manual, except for the implicit subsidy which is governed by the State Legislature and ILCS. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in the Regional Office of Education #21’s governmental funds.

Benefits Provided. The Regional Office provides continued health insurance coverage at the blended employer rate to all eligible retirees in accordance with ILCS, which creates an implicit subsidy of retiree health insurance. To be eligible for benefits, an employee must qualify for retirement under the Regional Office’s retirement plan. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the retiree is no longer eligible to participate in the plan, but can purchase a Medicare supplement plan from the Regional Office of Education #21’s insurance provider.

Membership. At June 30, 2014, the date of the actuarial valuation, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	-
Terminated Employees Entitled to Benefits but not yet Receiving Them	-
Active vested plan members	6
Active nonvested plan members	4
	4
Total	10
Number of Participating Employers	1

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 5: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

B. Illinois Municipal Retirement Fund (Continued)

Funding Policy. The ROE is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

Annual OPEB Costs and OPEB Obligation. The ROE had an actuarial valuation performed for the plan as of June 30, 2014 to determine the funded status of the plan as of that date and the employer's annual required contribution (ARC) for the fiscal year ended June 30, 2014. The ROE's annual OPEB cost (expense) for the year ended June 30, 2016 was \$1,589, which increased the net pension obligation to \$7,277 as of that date. The ROE's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal years 2016 through 2012 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 1,589	\$ -	0%	\$ 7,277
June 30, 2015	1,589	-	0%	5,688
June 30, 2014	1,046	-	0%	4,099
June 30, 2013	1,026	-	0%	3,053
June 30, 2012	1,026	-	0%	2,027

The OPEB obligation as of June 30, 2016, was calculated as follows:

Annual Required Contribution	\$ 1,102
Interest on OPEB Obligation	61
Adjustment to Annual Required Contribution	426
Annual OPEB Cost	1,589
Contributions Made	-
Increase in OPEB Obligation	1,589
OPEB Obligation Beginning of Year	5,688
OPEB Obligation End of Year	<u>\$ 7,277</u>

Funded Status and Funding Progress. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 5: OTHER POST-EMPLOYMENT BENEFITS (CONCLUDED)

B. Illinois Municipal Retirement Fund (Concluded)

Actuarial Methods and Assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions and the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included a discount rate of 4.00% and an initial healthcare cost trend rate of 7.50% with an ultimate healthcare inflation rate of 5.50%. Both rates include a 4.00% inflation assumption. The actuarial value of assets was not determined as the Regional Office has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2014 was 30 years.

NOTE 6: INTERFUND RECEIVABLES AND PAYABLES

Interfund due to / from other fund balances at June 30, 2016 consist of the following individual due to / from other funds in the governmental funds Balance Sheet. Balances of the same fund type were eliminated in the government-wide Statement of Net Position. Interfund loans were made for the purpose of providing cash to funds that were awaiting reimbursements from grantors.

Fund	Due From Other Funds	Due to Other Funds
General Funds		
ECHO	\$ 53,932	\$ -
General Operating	84,637	-
General State Aid Safe Schools	60,178	-
Education Funds		
McKinney Education for Homeless Children	-	14,209
Substance Abuse Prevention & Treatment Block Grant	-	20,178
Title I System of Support	-	96,554
Title II Teacher Quality Leadership	-	2,847

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 6: INTERFUND RECEIVABLES AND PAYABLES (CONCLUDED)

Fund	Due From Other Funds	Due to Other Funds
Education Funds (Concluded)		
FY16 Partnership for College and Career Success	-	17,229
ROE/ISC Operations	-	82,613
Regional Safe Schools	-	13,724
Truants Alternative/Optional Education	-	26,006
Major Special Revenue Funds		
Institute Fund – Technology	42,613	-
Enterprise Fund		
Enterprise/Workshop	32,000	-
	<u>\$ 273,360</u>	<u>\$ 273,360</u>

NOTE 7: DUE TO/DUE FROM OTHER GOVERNMENTAL UNITS

The Regional Office of Education #21's General Fund, Education Fund, Special Revenue Funds, Proprietary Fund, and Agency Fund, have funds due to and due from various other governmental units which consist of the following:

Due from Other Governments:

General Fund		
Local Governments	\$	31,657
Special Revenue Fund – Education Fund		
Illinois State Board of Education		418,240
Illinois Department of Human Services		20,178
Local Governments		17,229
Nonmajor Special Revenue Funds		
Illinois State Board of Education		1,467
Fiduciary Fund – Agency Fund		
Other Local Governments		1,514,429
Total	\$	<u>2,003,200</u>

Due to Other Governments:

General Fund		
Local Governments	\$	31,044
Special Revenue Fund – Education Fund		
Local Governments		182,068
Fiduciary Fund – Agency Fund		
Other Local Governments		1,514,575
Total	\$	<u>1,727,687</u>

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 8: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

The governmental funds report a separate section for deferred inflows of resources. A deferred inflow of resources reflects an increase in net assets that applies to a future period. The Regional Office has only one type of item that is reported as a deferred inflow of resources. Grant revenues received more than 60 days after the end of the year, which are thus not available under the modified accrual basis of accounting, are reported as deferred inflows of resources in the governmental funds balance sheet.

NOTE 9: CAPITAL ASSETS

Governmental Activities

Capital asset activity for fiscal year 2016 was as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental Funds				
Total Capital Assets	\$ 502,913	\$ 6,253	\$ 2,603	\$ 506,563
Less: Accumulated Depreciation	<u>468,613</u>	<u>24,480</u>	<u>2,603</u>	<u>490,490</u>
Governmental Funds				
Investment in Capital Assets, Net	<u>\$ 34,300</u>	<u>\$ (18,227)</u>	<u>\$ -</u>	<u>\$ 16,073</u>

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense of \$24,480 was charged to the governmental activities instructional services function on the government-wide Statement of Activities for the year ended June 30, 2016. Investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation.

Included in the capital asset activity above are assets under lease-purchase agreements. The gross amount of equipment assets recorded under lease-purchase agreements totaled \$105,367. The accumulated depreciation for these leased equipment assets totaled \$102,175.

NOTE 10: RISK MANAGEMENT

The Regional Office of Education #21 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Regional Office of Education #21 has purchased commercial insurance to cover these risks. During the year ended June 30, 2016, there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 11: ON-BEHALF PAYMENTS

The State of Illinois pays the following salaries and benefits on behalf of Regional Office of Education #21:

Regional Superintendent Salary	\$	112,008
Regional Superintendent Fringe Benefits (Includes State paid insurance)		23,130
Assistant Regional Superintendent Salaries		100,812
Assistant Regional Superintendent Fringe Benefits (Includes State paid insurance)		1,462
TRS Pension Contributions		301,727
THIS Fund Contributions		8,883
Total	<u>\$</u>	<u>548,022</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. These amounts have been recorded in the accompanying governmental fund financial statements as State revenue and expenditures.

Franklin and Williamson Counties provide the Regional Office of Education #21 with staff on behalf of the Regional Office of Education #21. These amounts have been recorded in the accompanying governmental fund financial statements as local revenue and expenditures. The expenditures paid on Regional Office of Education #21's behalf for the year ended June 30, 2016 were as follows:

Salaries	\$	72,785
Benefits		26,497
Total	<u>\$</u>	<u>99,282</u>

NOTE 12: OPERATING LEASES

During the fiscal year ended June 30, 2010, the Regional Office of Education #21 entered into a lease agreement for office space for their Project ECHO and S.T.A.R. Quest location at 17428 Route 37 Johnston City, Illinois. This lease was renewed on July 23, 2014 and reflected monthly payments of \$3,500 beginning July 1, 2014 and ending June 30, 2015. The lease automatically renewed for an additional 4 years at \$4,000/month from July 1, 2015 until June 30, 2019. Lease expense for fiscal year 2016 was \$48,000.

The Regional Office of Education #21's future minimum lease payments based on the lease detailed above are \$48,000 for each of the fiscal years ended June 30, 2017, 2018, and 2019.

NOTE 13: INTERFUND TRANSFERS

Interfund transfers in/out to other funds at June 30, 2016 consisted of the following individual transfers in/out to other funds in the fund statements. The transfer balances between governmental funds were eliminated in the government-wide Statement of Activities; however, the transfers between the governmental funds and the business-type funds were not eliminated. Interfund transfers between the funds were made for the purposes of meeting operating costs.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 13: INTERFUND TRANSFERS (CONCLUDED)

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
County Budget	\$ 9	\$ -
ECHO	44	1,804
General Operating	117	22
School Facility Occupation Tax Interest Allocation	6	-
Interest Allocation	-	448
Academic Achievement	3	-
General State Aid Safe Schools	108	1,222
Juvenile Detention Center	3	-
Special Revenue Fund – Education Funds		
New Principal Mentoring Program	2	-
FY16 Partnership for College and Career Success	19	-
Title II Teacher Quality ECHO	1	-
Federal Lunch and Breakfast	1,805	-
Regional Safe Schools	1,222	-
Nonmajor Special Revenue Funds		
Bus Driver Permit	9	-
General Education Development	5	-
Major Special Revenue Fund		
Institute - Institute	52	-
Institute - Technology	56	-
Enterprise Fund		
Enterprise/Workshop	35	-
Total	<u>\$ 3,496</u>	<u>\$ 3,496</u>

NOTE 14: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Generally accepted accounting principles require disclosure of certain information concerning individual funds which are presented only in combination on the financial statements. Funds having deficit fund balances/net position and funds which over expend appropriations during the year are required to be disclosed.

The following funds had deficit fund balances at June 30, 2016:

General Funds	
Juvenile Detention Center	\$ 7,237
Education Funds	
McKinney Education for Homeless Children	\$ 90,998
Title I System of Support	59,592
ROE/ISC Operations	82,613
Regional Safe Schools	6,859

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 15: RESTATEMENT

The Regional Office of Education #21 reclassified the Enterprise/Workshop net position of \$34,330 from the Governmental Activities to the Business-Type Activities for the year ending June 30, 2016. In the fund statements, this same amount was reclassified from the General fund to the Proprietary funds. In addition, an adjustment of \$644,931 was made to beginning Governmental Activities net assets due to the Regional Office of Education #21 not implementing GASB 68 for the year ending June 30, 2016. The auditor's report has been modified as a result of this matter. Due to these reclassifications the General fund and Proprietary funds beginning fund balances and the Governmental Activities and Business-Type Activities beginning net position has been restated as follows:

General Fund

Fund Balance – July 1, 2015	\$	258,996
Effect of reclassifying the Enterprise/ Workshop fund		(34,330)
Fund Balance, restated – July 1, 2015	\$	<u>224,666</u>

Governmental Activities

Net Position – July 1, 2015	\$	(237,294)
Effect of not implementing GASB 68		644,931
Effect of reclassifying the Enterprise/ Workshop fund		(34,330)
Net Position, restated – July 1, 2015	\$	<u>373,307</u>

Proprietary Funds and Business-Type Activities

Net Position – July 1, 2015	\$	-
Effect of reclassifying the Enterprise/ Workshop fund		34,330
Net Position, restated – July 1, 2015	\$	<u>34,330</u>

NOTE 16: REGIONAL OFFICE OF EDUCATION CONSOLIDATION

Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 began operations on July 1, 2015, and was formed from the merger of Franklin-Williamson Counties Regional Office of Education #21 and Johnson and Massac Counties which were formerly included in the Alexander-Johnson-Massac-Pulaski-Union Counties Regional Office of Education #2. The merger resulted from the Illinois State Board of Education's adoption of a motion pursuant to its obligation under 105 ILCS 5/3A-4(a), which recognized consolidations agreed to via county board resolutions prior to June 30, 2013. As the Alexander-Johnson-Massac-Pulaski-Union Counties Regional Office of Education #2 disbursed all of its funds and disposed of all of its capital assets prior to the merger, no restatements were necessary to the July 1, 2015 balances of the Regional Office of Education #21.

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

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2016**

UNAUDITED

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/15	\$ 2,004,721	\$ 1,892,986	\$ (111,735)	105.90%	\$ 466,654	-
12/31/14	1,276,382	1,293,704	17,322	98.66%	388,592	4.46%
12/31/13	1,146,793	1,161,395	14,602	98.74%	371,938	3.93%

On a market value basis, the actuarial value of assets as of December 31, 2015 is \$1,958,154. On a market basis, the funded ratio would be 103.44%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS
SCHEDULE OF FUNDING PROGRESS
June 30, 2016**

UNAUDITED

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/15	\$ -	\$ 14,378	\$ 14,378	0%	\$ 416,116	3.46%
6/30/14	-	12,789	12,789	0%	380,680	3.36%
6/30/13	-	9,664	9,664	0%	361,909	2.67%

SUPPLEMENTAL INFORMATION

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2016**

	County Budget	ECHO	General Operating	School Facility Occupation Tax Interest Allocation	Interest Allocation
Assets					
Cash and cash equivalents	\$ 61,799	\$ 5,490	\$ 16,578	\$ 4,412	\$ -
Due from other funds	-	53,932	84,637	-	-
Accounts receivable	-	-	2,740	-	9
Due from other governments	2,490	9,515	13,593	138	-
Prepaid expenses	-	1,465	10,800	-	-
Total Assets	<u>64,289</u>	<u>70,402</u>	<u>128,348</u>	<u>4,550</u>	<u>9</u>
Deferred Outflows of Resources					
	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 64,289</u>	<u>\$ 70,402</u>	<u>\$ 128,348</u>	<u>\$ 4,550</u>	<u>\$ 9</u>
Liabilities					
Accounts payable	\$ -	\$ 1,188	\$ 314	\$ -	\$ -
Accrued wages and benefits	-	40,826	-	-	-
Due to other governments	-	26,468	-	-	-
Total Liabilities	<u>-</u>	<u>68,482</u>	<u>314</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue	-	324	1,058	-	-
Fund Balance					
Nonspendable	-	1,465	10,800	-	-
Assigned	64,289	-	-	-	-
Unassigned	-	131	116,176	4,550	9
Total Fund Balances (Deficits)	<u>64,289</u>	<u>1,596</u>	<u>126,976</u>	<u>4,550</u>	<u>9</u>
Total Liabilities, Deferred Inflows & Fund Balance	<u>\$ 64,289</u>	<u>\$ 70,402</u>	<u>\$ 128,348</u>	<u>\$ 4,550</u>	<u>\$ 9</u>

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2016**

	Prevention Social Marketing	Academic Achievement	General State Aid Safe Schools	Juvenile Detention Center	Total
Assets					
Cash and cash equivalents	\$ 42	\$ -	\$ 6,354	\$ 10,204	\$ 104,879
Due from other funds	-	-	60,178	-	198,747
Accounts receivable	-	-	-	-	2,749
Due from other governments	-	-	-	5,921	31,657
Prepaid expenses	-	-	542	-	12,807
Total Assets	<u>42</u>	<u>-</u>	<u>67,074</u>	<u>16,125</u>	<u>350,839</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 67,074</u>	<u>\$ 16,125</u>	<u>\$ 350,839</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ 2,618	\$ -	\$ 4,120
Accrued wages and benefits	-	-	19,192	17,441	77,459
Due to other governments	-	-	4,576	-	31,044
Total Liabilities	<u>-</u>	<u>-</u>	<u>26,386</u>	<u>17,441</u>	<u>112,623</u>
Deferred Inflows of Resources					
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,921</u>	<u>7,303</u>
Fund Balance					
Nonspendable	-	-	542	-	12,807
Assigned	-	-	-	-	64,289
Unassigned	42	-	40,146	(7,237)	153,817
Total Fund Balances (Deficits)	<u>42</u>	<u>-</u>	<u>40,688</u>	<u>(7,237)</u>	<u>230,913</u>
Total Liabilities, Deferred Inflows & Fund Balance	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 67,074</u>	<u>\$ 16,125</u>	<u>\$ 350,839</u>

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
For the Year Ended June 30, 2016

	County Budget	ECHO	General Operating	School Facility Occupation Tax Interest Allocation	Interest Allocation
Revenues					
Local sources	\$ 247,630	\$ 349	\$ 42,890	\$ 1,842	\$ -
State sources	-	541,170	-	-	-
Federal sources	-	-	-	-	-
Interest	-	-	-	-	456
On behalf payments	99,282	-	548,022	-	-
Total Revenue	<u>346,912</u>	<u>541,519</u>	<u>590,912</u>	<u>1,842</u>	<u>456</u>
Expenditures					
Salaries	100,658	311,674	-	-	-
Employee benefits	11,271	53,080	-	-	-
Pension expense	8,701	6,590	-	-	-
Purchased services	2,238	84,914	27,912	4,202	-
Supplies and materials	-	14,035	7,509	274	-
Capital outlay	-	-	-	-	-
Payments to other governmental units	60,482	66,000	-	-	-
Payments made on behalf of region	99,282	-	548,022	-	-
Total Expenditures	<u>282,632</u>	<u>536,293</u>	<u>583,443</u>	<u>4,476</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>64,280</u>	<u>5,226</u>	<u>7,469</u>	<u>(2,634)</u>	<u>456</u>
Other Financing Sources (Uses)					
Transfers in	9	44	117	6	-
Transfers out	-	(1,804)	(22)	-	(448)
Total Other Financing Sources (Uses)	<u>9</u>	<u>(1,760)</u>	<u>95</u>	<u>6</u>	<u>(448)</u>
Net Change in Fund Balance	64,289	3,466	7,564	(2,628)	8
Fund Balances (Deficits) - Beginning,					
Restated (See Note 15)	<u>-</u>	<u>(1,870)</u>	<u>119,412</u>	<u>7,178</u>	<u>1</u>
Fund Balance (Deficits) - Ending	<u>\$ 64,289</u>	<u>\$ 1,596</u>	<u>\$ 126,976</u>	<u>\$ 4,550</u>	<u>\$ 9</u>

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
For the Year Ended June 30, 2016**

	Prevention Social Marketing	Academic Achievement	General State Aid Safe Schools	Juvenile Detention Center	Total
Revenues					
Local sources	\$ -	\$ -	\$ -	\$ 141,321	\$ 434,032
State sources	-	-	99,846	-	641,016
Federal sources	-	-	-	-	-
Interest	-	-	-	-	456
On Behalf Payments	-	-	-	-	647,304
Total Revenue	<u>-</u>	<u>-</u>	<u>99,846</u>	<u>141,321</u>	<u>1,722,808</u>
Expenditures					
Salaries	-	-	89,736	117,145	619,213
Employee benefits	-	-	9,401	22,873	96,625
Pension expense	-	-	3,260	738	19,289
Purchased services	-	3	41,107	4,005	164,381
Supplies and materials	-	-	9,323	3,986	35,127
Capital outlay	-	-	4,934	-	4,934
Payments to other governmental units	-	-	-	-	126,482
Payments made on behalf of region	-	-	-	-	647,304
Total Expenditures	<u>-</u>	<u>3</u>	<u>157,761</u>	<u>148,747</u>	<u>1,713,355</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(3)</u>	<u>(57,915)</u>	<u>(7,426)</u>	<u>9,453</u>
Other Financing Sources (Uses)					
Transfers in	-	3	108	3	290
Transfers out	-	-	(1,222)	-	(3,496)
Total Other Financing Sources (Uses)	<u>-</u>	<u>3</u>	<u>(1,114)</u>	<u>3</u>	<u>(3,206)</u>
Net Change in Fund Balance	-	-	(59,029)	(7,423)	6,247
Fund Balances (Deficits) - Beginning Restated (See Note 15)	<u>42</u>	<u>-</u>	<u>99,717</u>	<u>186</u>	<u>224,666</u>
Fund Balance (Deficits) - Ending	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 40,688</u>	<u>\$ (7,237)</u>	<u>\$ 230,913</u>

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2016**

	McKinney Education for Homeless Children	Substance Abuse Prevention & Treatment Block Grant	New Principal Mentoring Program	Title I System of Support	Title II Teacher Quality Leadership
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ 1,556	\$ -	\$ -
Due from other governments	<u>105,207</u>	<u>20,178</u>	<u>-</u>	<u>187,656</u>	<u>2,847</u>
Total Assets	<u>105,207</u>	<u>20,178</u>	<u>1,556</u>	<u>187,656</u>	<u>2,847</u>
Deferred Outflow of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 105,207</u>	<u>\$ 20,178</u>	<u>\$ 1,556</u>	<u>\$ 187,656</u>	<u>\$ 2,847</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 32	\$ -
Due to other funds	14,209	20,178	-	96,554	2,847
Due to other governments	90,998	-	-	91,070	-
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>105,207</u>	<u>20,178</u>	<u>-</u>	<u>187,656</u>	<u>2,847</u>
Deferred Inflows of Resources					
Unavailable revenue	<u>90,998</u>	<u>-</u>	<u>-</u>	<u>59,592</u>	<u>-</u>
Fund Balance					
Restricted	-	-	1,556	-	-
Unassigned	<u>(90,998)</u>	<u>-</u>	<u>-</u>	<u>(59,592)</u>	<u>-</u>
Total Fund Balance (Deficit)	<u>(90,998)</u>	<u>-</u>	<u>1,556</u>	<u>(59,592)</u>	<u>-</u>
Total Liabilities, Deferred Inflows, and Fund Balances (Deficits)	<u>\$ 105,207</u>	<u>\$ 20,178</u>	<u>\$ 1,556</u>	<u>\$ 187,656</u>	<u>\$ 2,847</u>

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2016**

	FY16 Partnership for College and Career Success	Title II Teacher Quality ECHO	Tides Foundation Art Grant	State Free Lunch and Breakfast	Federal Lunch and Breakfast
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ 210	\$ 382	\$ 3,814
Due from other governments	17,229	-	-	187	-
Total Assets	<u>17,229</u>	<u>-</u>	<u>210</u>	<u>569</u>	<u>3,814</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 17,229</u>	<u>\$ -</u>	<u>\$ 210</u>	<u>\$ 569</u>	<u>\$ 3,814</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	17,229	-	-	-	-
Due to other governments	-	-	-	-	-
Unearned revenue	-	-	210	-	-
Total Liabilities	<u>17,229</u>	<u>-</u>	<u>210</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>135</u>	<u>-</u>
Fund Balance					
Restricted	-	-	-	434	3,814
Unassigned	-	-	-	-	-
Total Fund Balance (Deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>434</u>	<u>3,814</u>
Total Liabilities, Deferred Inflows, and Fund Balances (Deficits)	<u>\$ 17,229</u>	<u>\$ -</u>	<u>\$ 210</u>	<u>\$ 569</u>	<u>\$ 3,814</u>

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2016**

	ROE/ISC Operations	Regional Safe Schools	Truants Alternative/ Optional Education	Total
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 5,962
Due from other governments	82,613	13,724	26,006	455,647
Total Assets	<u>82,613</u>	<u>13,724</u>	<u>26,006</u>	<u>461,609</u>
Deferred Outflows of Resources				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 82,613</u>	<u>\$ 13,724</u>	<u>\$ 26,006</u>	<u>\$ 461,609</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 32
Due to other funds	82,613	13,724	26,006	273,360
Due to other governments	-	-	-	182,068
Unearned revenue	-	-	-	210
Total Liabilities	<u>82,613</u>	<u>13,724</u>	<u>26,006</u>	<u>455,670</u>
Deferred Inflows of Resources				
Unavailable revenue	<u>82,613</u>	<u>6,859</u>	<u>-</u>	<u>240,197</u>
Fund Balance				
Restricted	-	-	-	5,804
Unassigned	<u>(82,613)</u>	<u>(6,859)</u>	<u>-</u>	<u>(240,062)</u>
Total Fund Balance (Deficits)	<u>(82,613)</u>	<u>(6,859)</u>	<u>-</u>	<u>(234,258)</u>
Total Liabilities, Deferred Inflows, and Fund Balances (Deficits)	<u>\$ 82,613</u>	<u>\$ 13,724</u>	<u>\$ 26,006</u>	<u>\$ 461,609</u>

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2016

	McKinney Education for Homeless Children	Substance Abuse Prevention & Treatment Block Grant	New Principal Mentoring Program	Title I System of Support	Title II Teacher Quality Leadership
Revenues					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	206,657	209,858	-	708,800	2,847
Total Revenue	<u>206,657</u>	<u>209,858</u>	<u>-</u>	<u>708,800</u>	<u>2,847</u>
Expenditures					
Salaries	85,099	159,296	-	265,011	-
Employee benefits	6,454	12,186	-	37,811	-
Pension expense	4,411	13,732	-	75,846	-
Purchased services	21,534	22,159	2,406	272,750	2,847
Supplies and materials	6,035	2,003	-	6,031	-
Capital outlay	810	482	-	509	-
Payments to other governmental units	173,312	-	-	97,069	-
Total Expenditures	<u>297,655</u>	<u>209,858</u>	<u>2,406</u>	<u>755,027</u>	<u>2,847</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(90,998)</u>	<u>-</u>	<u>(2,406)</u>	<u>(46,227)</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfers in	-	-	2	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(90,998)	-	(2,404)	(46,227)	-
Fund Balance (Deficits) - Beginning	<u>-</u>	<u>-</u>	<u>3,960</u>	<u>(13,365)</u>	<u>-</u>
Fund Balance (Deficits) - Ending	<u>\$ (90,998)</u>	<u>\$ -</u>	<u>\$ 1,556</u>	<u>\$ (59,592)</u>	<u>\$ -</u>

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2016

	FY16 Partnership for College and Career Success	Title II Teacher Quality ECHO	Tides Foundation Art Grant	State Free Lunch and Breakfast	Federal Lunch and Breakfast
Revenues					
Local sources	\$ -	\$ -	\$ 290	\$ -	\$ 362
State sources	63,518	-	-	365	-
Federal sources	-	1,048	-	-	35,721
Total Revenue	<u>63,518</u>	<u>1,048</u>	<u>290</u>	<u>365</u>	<u>36,083</u>
Expenditures					
Salaries	28,000	-	-	-	5,700
Employee benefits	2,142	-	-	-	436
Pension expense	-	-	-	-	491
Purchased services	28,625	1,049	-	-	121
Supplies and materials	4,770	-	290	-	31,140
Capital outlay	-	-	-	-	-
Payments to other governmental units	-	-	-	-	-
Total Expenditures	<u>63,537</u>	<u>1,049</u>	<u>290</u>	<u>-</u>	<u>37,888</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(19)</u>	<u>(1)</u>	<u>-</u>	<u>365</u>	<u>(1,805)</u>
Other Financing Sources (Uses)					
Transfers in	19	1	-	-	1,805
Total Other Financing Sources (Uses)	<u>19</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>1,805</u>
Net Change in Fund Balance	-	-	-	365	-
Fund Balance (Deficit) - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>69</u>	<u>3,814</u>
Fund Balance (Deficit) - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 434</u>	<u>\$ 3,814</u>

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2016

	ROE/ISC Operations	Regional Safe Schools	Truants Alternative/ Optional Education	Total
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ 652
State sources	-	75,515	94,029	233,427
Federal sources	-	-	-	1,164,931
Total Revenue	<u>-</u>	<u>75,515</u>	<u>94,029</u>	<u>1,399,010</u>
Expenditures				
Salaries	59,021	69,483	70,382	741,992
Employee benefits	5,081	11,728	9,669	85,507
Pension expense	4,172	500	4,843	103,995
Purchased services	13,116	1,796	7,536	373,939
Supplies and materials	1,297	89	1,599	53,254
Capital outlay	-	-	-	1,801
Payments to other governmental units	-	-	-	270,381
Total Expenditures	<u>82,687</u>	<u>83,596</u>	<u>94,029</u>	<u>1,630,869</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(82,687)</u>	<u>(8,081)</u>	<u>-</u>	<u>(231,859)</u>
Other Financing Sources (Uses)				
Transfers in	-	1,222	-	3,049
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,222</u>	<u>-</u>	<u>3,049</u>
Net Change in Fund Balance	(82,687)	(6,859)	-	(228,810)
Fund Balance (Deficit) - Beginning	<u>74</u>	<u>-</u>	<u>-</u>	<u>(5,448)</u>
Fund Balance (Deficit) - Ending	<u>\$ (82,613)</u>	<u>\$ (6,859)</u>	<u>\$ -</u>	<u>\$ (234,258)</u>

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BUDGETARY COMPARISON SCHEDULE
(For the Period of July 1, 2015 to June 30, 2016)
EDUCATION FUND ACCOUNTS
MCKINNEY EDUCATION FOR HOMELESS CHILDREN
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 275,000	\$ 316,482	\$ 206,657
Total Revenues	<u>275,000</u>	<u>316,482</u>	<u>206,657</u>
Expenditures			
Salaries	92,750	92,750	85,099
Employee benefits	13,940	11,954	6,454
Pension expense	-	-	4,411
Purchased services	17,206	22,367	21,534
Supplies and materials	4,080	7,343	6,035
Capital outlay	-	800	810
Payments to other government units	147,024	181,268	173,312
Total Expenditures	<u>275,000</u>	<u>316,482</u>	<u>297,655</u>
Net Change in Fund Balance	-	-	(90,998)
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (90,998)</u>

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BUDGETARY COMPARISON SCHEDULE
(For the Period of July 1, 2015 to June 30, 2016)
EDUCATION FUND ACCOUNTS
SUBSTANCE ABUSE PREVENTION & TREATMENT BLOCK GRANT
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 209,858	\$ 209,858	\$ 209,858
Total Revenues	<u>209,858</u>	<u>209,858</u>	<u>209,858</u>
Expenditures			
Salaries	164,376	159,295	159,296
Employee benefits	27,865	27,717	12,186
Pension expense	-	-	13,732
Purchased services	13,185	20,022	22,159
Supplies and materials	4,432	2,824	2,003
Capital outlay	-	-	482
Total Expenditures	<u>209,858</u>	<u>209,858</u>	<u>209,858</u>
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BUDGETARY COMPARISON SCHEDULE
(For the Period of July 1, 2015 to June 30, 2016)
EDUCATION FUND ACCOUNTS
TITLE I SYSTEM OF SUPPORT
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 1,005,392	\$ 1,005,392	\$ 708,800
Total Revenues	<u>1,005,392</u>	<u>1,005,392</u>	<u>708,800</u>
Expenditures			
Salaries	320,282	320,282	265,011
Employee benefits	162,460	162,460	37,811
Pension expense	-	-	75,846
Purchased services	276,371	276,371	272,750
Supplies and materials	6,290	6,290	6,031
Capital Outlay	-	-	509
Payments to other governments	239,989	239,989	97,069
Total Expenditures	<u>1,005,392</u>	<u>1,005,392</u>	<u>755,027</u>
Net Change in Fund Balance	-	-	(46,227)
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>(13,365)</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (59,592)</u>

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BUDGETARY COMPARISON SCHEDULE
(For the Period of May 25, 2016 to June 30, 2016)
EDUCATION FUND ACCOUNTS
TITLE II TEACHER QUALITY - LEADERSHIP
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 2,979	\$ 2,979	\$ 2,847
Total Revenues	<u>2,979</u>	<u>2,979</u>	<u>2,847</u>
Expenditures			
Purchased services	2,979	2,979	2,847
Total Expenditures	<u>2,979</u>	<u>2,979</u>	<u>2,847</u>
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BUDGETARY COMPARISON SCHEDULE
(For the Period of July 1, 2015 to June 30, 2016)
EDUCATION FUND ACCOUNTS
FY16 PARTNERSHIP FOR COLLEGE AND CAREER SUCCESS
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 61,869	\$ 63,531	\$ 63,518
Total Revenues	<u>61,869</u>	<u>63,531</u>	<u>63,518</u>
Expenditures			
Salaries	28,000	28,000	28,000
Employee benefits	2,142	2,142	2,142
Purchased services	29,113	28,835	28,625
Supplies and materials	2,614	4,554	4,770
Total Expenditures	<u>61,869</u>	<u>63,531</u>	<u>63,537</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(19)</u>
Other Financing Sources (Uses)			
Transfers in	-	-	19
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>19</u>
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BUDGETARY COMPARISON SCHEDULE
(For the Period of July 1, 2015 to August 31, 2016)
EDUCATION FUND ACCOUNTS
TITLE II TEACHER QUALITY - ECHO
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 1,072	\$ 1,072	\$ 1,048
Total Revenues	<u>1,072</u>	<u>1,072</u>	<u>1,048</u>
Expenditures			
Purchased services	829	829	1,049
Supplies and materials	243	243	-
Total Expenditures	<u>1,072</u>	<u>1,072</u>	<u>1,049</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(1)</u>
Other Financing Sources (Uses)			
Transfers in	-	-	1
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1</u>
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BUDGETARY COMPARISON SCHEDULE
(For the Period of July 1, 2015 to June 30, 2016)
EDUCATION FUND ACCOUNTS
ROE/ISC OPERATIONS
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 82,531	\$ 82,613	\$ -
Total Revenues	<u>82,531</u>	<u>82,613</u>	<u>-</u>
Expenditures			
Salaries	57,000	58,869	59,021
Employee benefits	8,812	8,498	5,081
Pension expense	-	-	4,172
Purchased services	15,319	13,846	13,116
Supplies and materials	1,400	1,400	1,297
Total Expenditures	<u>82,531</u>	<u>82,613</u>	<u>82,687</u>
Net Change in Fund Balance	-	-	(82,687)
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>74</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (82,613)</u>

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BUDGETARY COMPARISON SCHEDULE
(For the Period of July 1, 2015 to June 30, 2016)
EDUCATION FUND ACCOUNTS
REGIONAL SAFE SCHOOLS
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 82,374	\$ 82,374	\$ 75,515
Total Revenues	<u>82,374</u>	<u>82,374</u>	<u>75,515</u>
Expenditures			
Salaries	69,450	69,450	69,483
Employee benefits	11,419	11,419	11,728
Pension expense	-	-	500
Purchased services	1,205	1,205	1,796
Supplies and materials	300	300	89
Total Expenditures	<u>82,374</u>	<u>82,374</u>	<u>83,596</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures			<u>(8,081)</u>
Other Financing Sources (Uses):			
Transfers in	-	-	1,222
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,222</u>
Net Change in Fund Balance	-	-	(6,859)
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,859)</u>

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BUDGETARY COMPARISON SCHEDULE
(For the Period of July 1, 2015 to June 30, 2016)
EDUCATION FUND ACCOUNTS
TRUANTS ALTERNATIVE/OPTIONAL EDUCATION
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 99,049	\$ 99,049	\$ 94,029
Total Revenues	<u>99,049</u>	<u>99,049</u>	<u>94,029</u>
Expenditures			
Salaries	75,154	75,154	70,382
Employee benefits	14,515	13,015	9,669
Pension expense	-	-	4,843
Purchased services	7,472	8,472	7,536
Supplies and materials	1,908	2,408	1,599
Total Expenditures	<u>99,049</u>	<u>99,049</u>	<u>94,029</u>
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2016

	<u>Bus Driver Permit</u>	<u>General Education Development</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 6,709	\$ 7,963	\$ 14,672
Accounts receivable	-	385	385
Due from other governments	1,467	-	1,467
Total Assets	<u>8,176</u>	<u>8,348</u>	<u>16,524</u>
Deferred Outflows of Resources			
	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 8,176</u>	<u>\$ 8,348</u>	<u>\$ 16,524</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources			
	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance			
Restricted	<u>8,176</u>	<u>8,348</u>	<u>16,524</u>
Total Fund Balance (Deficit)	<u>8,176</u>	<u>8,348</u>	<u>16,524</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 8,176</u>	<u>\$ 8,348</u>	<u>\$ 16,524</u>

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2016**

	Bus Driver Permit	General Education Development	Total
Revenues			
Local sources	\$ 3,806	\$ 5,564	\$ 9,370
State sources	1,327	-	1,327
Total Revenues	<u>5,133</u>	<u>5,564</u>	<u>10,697</u>
Expenditures			
Salaries	1,880	660	2,540
Employee benefits	144	51	195
Purchased services	3,575	249	3,824
Supplies and materials	-	233	233
Total Expenditures	<u>5,599</u>	<u>1,193</u>	<u>6,792</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(466)</u>	<u>4,371</u>	<u>3,905</u>
Other Financing Sources (Uses)			
Transfers in	9	5	14
Total Other Financing Sources (Uses)	<u>9</u>	<u>5</u>	<u>14</u>
Net Change in Fund Balance	(457)	4,376	3,919
Fund Balance (Deficit) - Beginning	<u>8,633</u>	<u>3,972</u>	<u>12,605</u>
Fund Balance (Deficit) - Ending	<u>\$ 8,176</u>	<u>\$ 8,348</u>	<u>\$ 16,524</u>

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF ACCOUNTS
INSTITUTE FUND ACCOUNTS
June 30, 2016

	<u>Institute</u>	<u>Technology</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 46,485	\$ 8,811	\$ 55,296
Due from other funds	-	42,613	42,613
Accounts receivable	18,449	305	18,754
Prepaid expenses	-	367	367
Total Assets	<u>64,934</u>	<u>52,096</u>	<u>117,030</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 64,934</u>	<u>\$ 52,096</u>	<u>\$ 117,030</u>
Liabilities			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance			
Nonspendable	-	367	367
Restricted	64,934	51,729	116,663
Total Fund Balance (Deficit)	<u>64,934</u>	<u>52,096</u>	<u>117,030</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 64,934</u>	<u>\$ 52,096</u>	<u>\$ 117,030</u>

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
INSTITUTE FUND ACCOUNTS
For the Year Ended June 30, 2016**

	<u>Institute</u>	<u>Technology</u>	<u>Total</u>
Revenues			
Local sources	\$ 31,280	\$ 24,780	\$ 56,060
Total Revenues	<u>31,280</u>	<u>24,780</u>	<u>56,060</u>
Expenditures			
Salaries	-	1,195	1,195
Employee benefits	-	152	152
Pension expense	-	8	8
Purchased services	15,845	19,703	35,548
Supplies and materials	36	1,706	1,742
Total Expenditures	<u>15,881</u>	<u>22,764</u>	<u>38,645</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>15,399</u>	<u>2,016</u>	<u>17,415</u>
Other Financing Sources (Uses)			
Transfers in	52	56	108
Total Other Financing Sources (Uses)	<u>52</u>	<u>56</u>	<u>108</u>
Net Change in Fund Balance	15,451	2,072	17,523
Fund Balance (Deficit) - Beginning	<u>49,483</u>	<u>50,024</u>	<u>99,507</u>
Fund Balance (Deficit) - Ending	<u><u>\$ 64,934</u></u>	<u><u>\$ 52,096</u></u>	<u><u>\$ 117,030</u></u>

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2016**

	School Facility Occupation Tax	Franklin County Regional Delivery System	Total Agency Funds
Assets			
Cash and cash equivalents	\$ 139	\$ 7	\$ 146
Due from other governments	1,474,930	39,499	1,514,429
Total Assets	\$ 1,475,069	\$ 39,506	\$ 1,514,575
Liabilities			
Due to other governments	\$ 1,475,069	\$ 39,506	\$ 1,514,575
Total Liabilities	\$ 1,475,069	\$ 39,506	\$ 1,514,575

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2016**

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
<u>School Facility Occupation Tax</u>				
Assets				
Cash and cash equivalents	\$ 311	\$ 9,174,166	\$ 9,174,338	\$ 139
Due from other governments	<u>1,559,085</u>	<u>1,474,930</u>	<u>1,559,085</u>	<u>1,474,930</u>
Total Assets	<u>\$ 1,559,396</u>	<u>\$ 10,649,096</u>	<u>\$ 10,733,423</u>	<u>\$ 1,475,069</u>
Liabilities				
Due to other governments	<u>\$ 1,559,396</u>	<u>\$ 1,475,069</u>	<u>\$ 1,559,396</u>	<u>\$ 1,475,069</u>
Total Liabilities	<u>\$ 1,559,396</u>	<u>\$ 1,475,069</u>	<u>\$ 1,559,396</u>	<u>\$ 1,475,069</u>
<u>Franklin County Regional Delivery System</u>				
Assets				
Cash and cash equivalents	\$ -	\$ 7	\$ -	\$ 7
Due from other governments	<u>17,575</u>	<u>39,499</u>	<u>17,575</u>	<u>39,499</u>
Total Assets	<u>\$ 17,575</u>	<u>\$ 39,506</u>	<u>\$ 17,575</u>	<u>\$ 39,506</u>
Liabilities				
Due to other governments	<u>\$ 17,575</u>	<u>\$ 39,506</u>	<u>\$ 17,575</u>	<u>\$ 39,506</u>
Total Liabilities	<u>\$ 17,575</u>	<u>\$ 39,506</u>	<u>\$ 17,575</u>	<u>\$ 39,506</u>
<u>Total</u>				
Assets				
Cash and cash equivalents	\$ 311	\$ 9,174,173	\$ 9,174,338	\$ 146
Due from other governments	<u>1,576,660</u>	<u>1,514,429</u>	<u>1,576,660</u>	<u>1,514,429</u>
Total Assets	<u>\$ 1,576,971</u>	<u>\$ 10,688,602</u>	<u>\$ 10,750,998</u>	<u>\$ 1,514,575</u>
Liabilities				
Due to other governments	<u>\$ 1,576,971</u>	<u>\$ 1,514,575</u>	<u>\$ 1,576,971</u>	<u>\$ 1,514,575</u>
Total Liabilities	<u>\$ 1,576,971</u>	<u>\$ 1,514,575</u>	<u>\$ 1,576,971</u>	<u>\$ 1,514,575</u>

FEDERAL COMPLIANCE SECTION

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
passed through Illinois State Board of Education				
Improving Teacher Quality State Grants				
Title II - Teacher Quality	84.367A	16-4932-00		\$ 1,048
Title II - Teacher Quality - Leadership	84.367A	16-4935-02		2,847
passed through Regional Office of Education #9				
Title II - Teacher Quality - Leadership	84.367A	16-4935-02		78
				<u>3,973</u>
Education for Homeless Children and Youth				
McKinney Education for Homeless Children	84.196A	16-4920-00	\$ 173,312	<u>297,655</u>
Title I Grants to Local Educational Agencies				
System of Support - Title I - Grants to Local Educational Agencies	84.010A	16-4331-SS	<u>97,069</u>	<u>754,949 (M)</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>1,056,577</u>
U.S. DEPARTMENT OF AGRICULTURE				
passed through Illinois State Board of Education				
Child School Nutrition Cluster				
School Breakfast Program	10.553	15-4220-00		1,127
School Breakfast Program	10.553	16-4220-00		8,849
				<u>9,976</u>
National School Lunch Program				
National School Lunch Program	10.555	15-4210-00		2,470
National School Lunch Program	10.555	16-4210-00		23,275
				<u>25,745</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>35,721</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
passed through Illinois Department of Human Services				
Substance Abuse Prevention and Treatment Block Grant	93.959	FCSUP01399		<u>209,858</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 270,381</u>	<u>\$ 1,302,156</u>

(M) Program was audited as a major program

The accompanying notes are an integral part of these financial statements.

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Regional Office of Education #21 under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Regional Office of Education #21, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Regional Office of Education #21.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Regional Office of Education #21 has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.