

**STATE OF ILLINOIS  
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40  
FINANCIAL AUDIT  
For the Year Ended June 30, 2015**

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

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40**

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**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40**

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**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40  
OFFICIALS**

Regional Superintendent  
(Current, effective August 28, 2015)

Ms. Michelle Mueller

Regional Superintendent  
(Effective July 1, 2015, through August 27, 2015)

Mr. Chad Hoesman

Regional Superintendent  
(During the audit period, through June 30, 2015)

Mr. Larry D. Pfeiffer

Assistant Regional Superintendent  
(During the audit period, through June 30, 2015 and  
current, effective August 28, 2015)

Mr. Chad Hoesman

Offices are located at:

225 E. Nicholas Street  
Carlinville, IL 62626

201 W. Exchange Street  
Jerseyville, IL 62052

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40  
FINANCIAL REPORT SUMMARY**

The financial 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 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	3	1
Repeated audit findings	1	1
Prior recommendations implemented or not repeated	0	1

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

**SUMMARY OF FINDINGS AND RESPONSES**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<i>Findings (Government Auditing Standards)</i>			
2015-001	11a-11b	Controls Over Financial Statement Preparation	Material Weakness
2015-002	11c	Controls Over Cash, Receipts, and Disbursements	Material Weakness
2015-003	11d-11e	Controls Over Adult Education Reporting	Significant Deficiency

***Prior Audit Findings not Repeated (Government Auditing Standards)***

None

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40  
FINANCIAL REPORT SUMMARY – (CONCLUDED)**

**EXIT CONFERENCE**

An informal exit conference was held with Agency personnel on October 29, 2015 to review the findings and recommendations. Attending were Michelle Mueller, Regional Superintendent; Marilyn Rogers, Bookkeeper; Chad Hoesman, Assistant Regional Superintendent; and Kara Bevis, CPA, CFE, Manager, Kemper CPA Group, LLP. Responses to the recommendations were provided by Michelle Mueller, Regional Superintendent, on May 18, 2016.

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40  
FINANCIAL STATEMENT REPORT SUMMARY**

The audit of the accompanying basic financial statements of the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40 was performed by Kemper CPA Group LLP, Certified Public Accountants and Consultants.

Based on their audit, the auditors expressed an unmodified opinion on the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40'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 Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40'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.



## **Opinions**

In our opinion, 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 Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40, as of June 30, 2015, 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 Matter**

As disclosed in Notes 1 and 14 to the financial statements, the Regional Office of Education #40 implemented Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, in the current year and has recognized a net pension liability and deferred inflows and outflows of resources related to pensions. Our opinions are 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 Changes in the Net Pension Liability & Related Ratios, Illinois Municipal Retirement Fund Schedule of Employer Contributions, Teachers' Retirement System of the State of Illinois Schedule of the Employer's Proportionate Share of the Net Pension Liability, and the Teachers' Retirement System of Illinois Schedule of Employer Contributions on pages 14a through 14g and 54 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40's basic financial statements. The combining schedules of accounts, budgetary comparison schedules, and combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2016 on our consideration of the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40'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 Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40's internal control over financial reporting and compliance.

*Kemper CPA Group LLP*

KEMPER CPA GROUP LLP

*Certified Public Accountants and Consultants*

Marion, Illinois  
August 22, 2016

**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 Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40's basic financial statements, and have issued our report thereon dated August 22, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40'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 Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40's internal control. Accordingly, we do not express an opinion on the effectiveness of Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2015-001 and 2015-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2015-003 to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Regional Office of Education #40's Responses to Findings

Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### 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 Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kemper CPA Group LLP*

KEMPER CPA GROUP LLP

*Certified Public Accountants and Consultants*

Marion, Illinois

August 22, 2016

## **SCHEDULE OF FINDINGS AND RESPONSES**

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40  
SCHEDULE OF FINDINGS AND RESPONSES  
SECTION I – SUMMARY OF AUDITORS’ RESULTS  
For the Year Ended June 30, 2015**

**Financial Statements**

Type of auditors’ report issued:	<i>unmodified</i>
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**SECTION II – FINANCIAL STATEMENT FINDINGS**  
**For the Year Ended June 30, 2015**

**FINDING NO. 2015-001 – Controls Over Financial Statement Preparation** (Repeat from Findings 14-001, 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-04)

**Criteria/specific requirement:**

The Calhoun, Green, Jersey, and Macoupin Counties Regional Office of Education #40 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office of Education #40's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

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

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

**Condition:**

The Regional Office of Education #40 does not have sufficient internal controls over the financial reporting process. The Regional Office of Education #40 maintains its accounting records on cash basis accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While the Regional Office of Education #40 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

During review of the Regional Office of Education #40's financial information prepared by the Regional Office of Education #40, auditors noted the Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts receivable, accounts payable, and unearned revenue, not all entries were provided to post grant receivables and unearned revenue. Audit entries were also proposed to reclassify reimbursements from others, adjust fund balances to actual, and to correct interfund transfer entries.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**SECTION II – FINANCIAL STATEMENT FINDINGS**  
**For the Year Ended June 30, 2015**

**FINDING NO. 2015-001 – Controls Over Financial Statement Preparation** (Repeat from Findings 14-001, 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-04) (Concluded)

**Condition (Concluded):**

Through inquiries and discussions with the Regional Office’s accounting personnel and Regional Superintendent, auditors noted the Regional Office of Education #40 also did not have adequate controls to record and report the Regional Office’s net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP.

**Effect:**

The Regional Office of Education #40’s management or its employees, in the normal course of performing their assigned functions, may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

**Cause:**

According to Regional Office of Education #40’s management, they did not have adequate funding to hire a certified public accountant or other financial professionals with the appropriate training and expertise as full-time staff.

Additionally, the complex requirements of GASB Statements No. 68 and 71 were new for fiscal year 2015 and will require additional time and training before the Regional Office can fully implement the requirements on its own.

**Recommendation:**

As part of internal control over the preparation of financial statements, the Regional Office of Education #40 should implement comprehensive preparation procedures to ensure the financial statements are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education #40’s activities and operations.

**Management’s Response:**

At this time the Regional Office of Education #40 cannot afford to hire an individual to assist with financial statement preparation; however, fiscal personnel of the Regional Office will strive to do their best to prepare the financial statements in accordance with GAAP.



**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**SECTION II – FINANCIAL STATEMENT FINDINGS**  
**For the Year Ended June 30, 2015**

**FINDING NO. 2015-002 – Controls Over Cash, Receipts, and Disbursements**

**Criteria/specific requirement:**

The Calhoun, Green, Jersey, and Macoupin Counties Regional Office of Education #40 is required to maintain a system of controls such that all cash balances held by the Regional Office, as well as all cash receipts and disbursements, are recorded in the Regional Office's accounting records. All Regional Office program transactions should be subject to established internal controls.

**Condition:**

For the majority of the fiscal year, the Regional Office operated a program, which provided diapers and other parenting supplies to teen parents, with cash funds that were not recorded in the Regional Office's accounting records. Checks written to the Regional Office by donors to fund this program were cashed by a contractor of the Regional Office at a local bank and then used to purchase supplies for the program. The off-book transactions included fiscal year 2015 local revenues of \$4,133 and expenditures of \$3,110. The Regional Office recorded this program's cash transactions in its accounting records at the end of the fiscal year, but these transactions were not subject to any of the Regional Office's internal controls over cash receipts and cash disbursements during the year.

**Effect:**

The Regional Office's revenues and expenditures were understated for the majority of the year. In addition, area banks cashed checks written to the Regional Office, which is against Regional Office policy.

**Cause:**

The cause is lack of communication with accounting personnel and a misunderstanding of accounting and internal control procedure requirements by program directors.

**Recommendation:**

In the future, all Regional Office program transactions should be recorded in the accounting records and be subject to the same established internal controls as other Regional Office transactions. Furthermore, Regional Office staff/contractors should be instructed not to cash checks written to the Regional Office.

**Management's Response:**

The Regional Office of Education's bookkeeping department has taken control of all of the money for the teen parenting program. All of the Regional Office's controls over cash receipts and disbursements during the year are now applied to this program.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40  
SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the Year Ended June 30, 2015**

**FINDING NO. 2015-003 – Controls Over Adult Education Reporting**

**Criteria/specific requirement:**

The Calhoun, Green, Jersey, and Macoupin Counties Regional Office of Education #40 is required to maintain a system of controls over grant compliance requirements to ensure grant reporting is accurate.

**Condition:**

The end of year expenditure reports for the following Illinois Community College Board Adult Education grants contained expense amounts that were misclassified when compared to actual expenses: State Performance, State Basic, Public Assistance, and Federal Basic. Also, for the Public Assistance grant, actual instruction expenses did not exceed 45% as required by the grant guidelines.

Differences between actual results per the general ledger and amounts reported on the end of year expenditure reports are as follows:

	State Performance		State Basic		Public Assistance	
	Actual	Reported	Actual	Reported	Actual	Reported
Instruction	\$ -	\$ -	\$ 21,410	\$ 28,674	\$ 11,833	\$ 14,817
Guidance Serv.	-	-	5,284	-	12,067	12,068
General Admin.	1,835	22,188	262	-	-	-
Operation and Maint. Of Plant Serv.	-	-	29	-	-	-
Data and Information Serv.	20,353	-	1,689	-	2,985	-
<b>Total</b>	<b>\$ 22,188</b>	<b>\$ 22,188</b>	<b>\$ 28,674</b>	<b>\$ 28,674</b>	<b>\$ 26,885</b>	<b>\$ 26,885</b>

  

	Federal Basic	
	Actual	Reported
Instruction	\$ 18,285	\$ 25,502
Guidance Serv.	1,933	-
General Admin.	1,000	-
Operation and Maint. Of Plant Serv.	-	-
Data and Information Serv.	4,284	-
<b>Total</b>	<b>\$ 25,502</b>	<b>\$ 25,502</b>

**Effect:**

The end of year expenditure reports did not reflect the correct classification of expenses. In addition, actual Public Assistance instruction costs equaled 44% of total costs, which is less than the 45% requirement.

**Cause:**

The individual preparing the expenditure reports was inexperienced in how to properly prepare the reports.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**SECTION II – FINANCIAL STATEMENT FINDINGS**  
**For the Year Ended June 30, 2015**

**FINDING NO. 2015-003 – Controls Over Adult Education Reporting (Concluded)**

**Recommendation:**

We recommend that all expenditure reports be reviewed by an individual separate from the preparer and compared to underlying accounting records for completeness and accuracy.

**Management's Response:**

Regional Office staff have been trained on how to complete expenditure reports. Expenditure reports must match bookkeeping ledgers. Administration will review all expenditure reports for completeness and accuracy.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2015**

**CORRECTIVE ACTION PLAN**

**FINDING NO. 2015-001 – Controls Over Financial Statement Preparation**

**Condition:**

The Regional Office of Education #40 does not have sufficient internal controls over the financial reporting process. The Regional Office of Education #40 maintains its accounting records on cash basis accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While the Regional Office of Education #40 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

During review of the Regional Office of Education #40's financial information prepared by the Regional Office of Education #40, auditors noted the Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts receivable, accounts payable, and unearned revenue, not all entries were provided to post grant receivables and unearned revenue. Audit entries were also proposed to reclassify reimbursements from others, adjust fund balances to actual, and to correct interfund transfer entries.

Through inquiries and discussions with the Regional Office's accounting personnel and Regional Superintendent, auditors noted the Regional Office of Education #40 also did not have adequate controls to record and report the Regional Office's net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP.

**Plan:**

At this time the Regional Office of Education #40 cannot afford to hire an individual to assist with financial statement preparation; however, fiscal personnel of the Regional Office will strive to do their best to prepare the financial statements in accordance with GAAP.

**Anticipated Date of Completion:**

Prior to the FY2016 audit.

**Name of Contact Person:**

Ms. Michelle Mueller, Regional Superintendent of Schools

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2015**

**CORRECTIVE ACTION PLAN**

**FINDING NO. 2015-002 – Controls Over Cash, Receipts, and Disbursements**

**Condition:**

For the majority of the fiscal year, the Regional Office operated a program, which provided diapers and other parenting supplies to teen parents, with cash funds that were not recorded in the Regional Office's accounting records. Checks written to the Regional Office by donors to fund this program were cashed by a contractor of the Regional Office at a local bank and then used to purchase supplies for the program. The off-book transactions included fiscal year 2015 local revenues of \$4,133 and expenditures of \$3,110. The Regional Office recorded this program's cash transactions in its accounting records at the end of the fiscal year, but these transactions were not subject to any of the Regional Office's internal controls over cash receipts and cash disbursements during the year.

**Plan:**

The Regional Office of Education's bookkeeping department has taken control of all of the money for the teen parenting program. All of the Regional Office's controls over cash receipts and disbursements during the year are now applied to this program.

**Anticipated Date of Completion:**

Immediately

**Name of Contact Person:**

Ms. Michelle Mueller, Regional Superintendent of Schools

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2015**

**CORRECTIVE ACTION PLAN**

**FINDING NO. 2015-003 – Controls Over Adult Education Reporting**

**Condition:**

The end of year expenditure reports for the following Illinois Community College Board Adult Education grants contained expense amounts that were misclassified when compared to actual expenses: State Performance, State Basic, Public Assistance, and Federal Basic. Also, for the Public Assistance grant, actual instruction expenses did not exceed 45% as required by the grant guidelines.

Differences between actual results per the general ledger and amounts reported on the end of year expenditure reports are as follows:

	<u>State Performance</u>		<u>State Basic</u>		<u>Public Assistance</u>	
	<u>Actual</u>	<u>Reported</u>	<u>Actual</u>	<u>Reported</u>	<u>Actual</u>	<u>Reported</u>
Instruction	\$ -	\$ -	\$ 21,410	\$ 28,674	\$ 11,833	\$ 14,817
Guidance Serv.	-	-	5,284	-	12,067	12,068
General Admin.	1,835	22,188	262	-	-	-
Operation and Maint. Of Plant Serv.	-	-	29	-	-	-
Data and Information Serv.	20,353	-	1,689	-	2,985	-
Total	<u>\$ 22,188</u>	<u>\$ 22,188</u>	<u>\$ 28,674</u>	<u>\$ 28,674</u>	<u>\$ 26,885</u>	<u>\$ 26,885</u>

  

	<u>Federal Basic</u>	
	<u>Actual</u>	<u>Reported</u>
Instruction	\$ 18,285	\$ 25,502
Guidance Serv.	1,933	-
General Admin.	1,000	-
Operation and Maint. Of Plant Serv.	-	-
Data and Information Serv.	4,284	-
Total	<u>\$ 25,502</u>	<u>\$ 25,502</u>

**Plan:**

Regional Office staff have been trained on how to complete expenditure reports. Expenditure reports must match bookkeeping ledgers. Administration will review all expenditure reports for completeness and accuracy.

**Anticipated Date of Completion:**

Immediately

**Name of Contact Person:**

Ms. Michelle Mueller, Regional Superintendent of Schools

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2015**

<b><u>Finding Number</u></b>	<b><u>Condition</u></b>	<b><u>Current Status</u></b>
2014-001	Controls Over Financial Statement Preparation	Repeated as Finding 2015-001

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2015**

The Regional Office of Education #40 for the Counties of Calhoun, Greene, Jersey, and Macoupin 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, 2015 with comparative information for the year ended June 30, 2014. Readers are encouraged to consider the information in conjunction with the Regional Office of Education #40's financial statements that follow.

**2015 FINANCIAL HIGHLIGHTS**

- Within the Governmental Funds, the General Fund revenue decreased by \$126,984 from \$802,212 in FY14 to \$675,228 in FY15. General Fund expenditures decreased by \$441,576 from \$1,042,330 in FY14 to \$600,754 in FY15. These decreases were largely driven by a decrease in on-behalf revenue and expense of \$156,059.
- Within the Governmental Funds, the Special Revenue Fund revenue (consisting of the Education Fund, Institute Fund, and Non-Major Special Revenue Funds) increased by \$68,835 from \$329,481 in FY14 to \$398,316 in FY15. The Special Revenue Fund expenditures increased by \$60,626 from \$329,318 in FY14 to \$389,944 in FY15. The increase in revenue and expenditures was due to increased grant funding in the Education Fund.

**USING THIS REPORT**

This 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 of Education #40'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 of Education #40 as a whole and present an overall view of the Office's finances.
- Fund financial statements report the Regional Office of Education #40's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the financial statements provide additional information that is needed for a full understanding of the data provided in the basic financial statements.
- Required supplementary information further explains and supports the financial statements and supplementary information provides detailed information about the non-major funds.

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2015**

**REPORTING THE OFFICE AS A WHOLE**

The Statement of Net Position and the Statement of Activities

The government-wide statements report information about the Regional Office of Education #40 as a whole. The Statement of Net Position includes all of the assets, deferred outflows of resources, liabilities, and 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, using accounting methods similar to those used by private-sector companies.

The two government-wide statements report the 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 Office's financial health or position.

-Over time, increases or decreases in the net position can be an indicator of whether the 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.

The government-wide financial statements present the Office's activities as governmental activities and business-type activities. Local, State, and federal aid finance most of these activities.

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 of Education #40 established other funds to control and manage money for particular purposes.

The Regional Office of Education #40 has three kinds of funds:

- 1) Governmental funds account for most of the Regional Office of Education #40's services. These funds 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 Office's programs. The Regional Office of Education #40's governmental funds include the General Fund and the Special Revenue Funds.

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

- 2) Proprietary funds, namely, Administrators' Academy and Workshops, are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail.

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

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2015**

**REPORTING THE OFFICE AS A WHOLE (CONCLUDED)**

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

- 3) Fiduciary funds are used to account for assets held by the Regional Office of Education #40 in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

A summary reconciliation between the Government-wide financial statements and the governmental fund financial statements follows the governmental fund financial statements.

**OFFICE-WIDE FINANCIAL ANALYSIS**

As noted earlier, when examined over time, net position may serve as one indicator of the financial condition of the Regional Office of Education #40. The net position at the end of the FY15 totaled \$185,894. At the end of FY14, the net position was \$113,023. The analysis that follows provides a summary of the Office's net position at June 30, 2015 and 2014.

CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current Assets	\$ 194,063	\$ 143,995	\$ 7,984	\$ 12,351	\$ 202,047	\$ 156,346
Capital Assets, net	45,936	37,142	2,000	2,604	47,936	39,746
<b>TOTAL ASSETS</b>	<b>239,999</b>	<b>181,137</b>	<b>9,984</b>	<b>14,955</b>	<b>249,983</b>	<b>196,092</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>83,707</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83,707</b>	<b>-</b>
Current Liabilities	26,389	77,723	-	146	26,389	77,869
Noncurrent Liabilities	106,105	5,200	-	-	106,105	5,200
<b>TOTAL LIABILITIES</b>	<b>132,494</b>	<b>82,923</b>	<b>-</b>	<b>146</b>	<b>132,494</b>	<b>83,069</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>15,302</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,302</b>	<b>-</b>
Net Position:						
Net Investment in						
Capital Assets	23,221	37,142	2,000	2,604	25,221	39,746
Restricted-other	90,270	63,351	-	-	90,270	63,351
Unrestricted	62,419	(2,279)	7,984	12,205	70,403	9,926
<b>TOTAL NET POSITION</b>	<b>\$ 175,910</b>	<b>\$ 98,214</b>	<b>\$ 9,984</b>	<b>\$ 14,809</b>	<b>\$ 185,894</b>	<b>\$ 113,023</b>

-Net position of the Regional Office of Education #40 increase by \$72,871 from FY14.

-Governmental activities increased the net position of the Regional Office of Education #40 by \$77,696.

-Business-type activities decreased the net position of the Regional Office of Education #40 by \$4,825.

-A portion of the net position related to Governmental Activities is restricted by Illinois Statute.

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2015**

**OFFICE-WIDE FINANCIAL ANALYSIS (CONCLUDED)**

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 41,784	\$ 54,927	\$ 42,434	\$ 50,199	\$ 84,218	\$ 105,126
Operating grants & contributions	352,399	274,553	-	-	352,399	274,553
General revenues:						
Local sources	170,673	180,125	-	-	170,673	180,125
State sources	260,139	199,312	-	-	260,139	199,312
On-behalf payments - State	392,831	422,776	-	-	392,831	422,776
<b>TOTAL REVENUES</b>	<b><u>1,217,826</u></b>	<b><u>1,131,693</u></b>	<b><u>42,434</u></b>	<b><u>50,199</u></b>	<b><u>1,260,260</u></b>	<b><u>1,181,892</u></b>
<b>Expenses:</b>						
Program expenses:						
Instructional services:						
Salaries and benefits	507,038	625,206	-	-	507,038	625,206
Pension expense	37,144	-	-	-	37,144	-
Purchased services	158,384	203,837	-	-	158,384	203,837
Supplies and materials	21,713	26,116	-	-	21,713	26,116
Payments to other governments	8,000	5,508	-	-	8,000	5,508
Other objects	1,364	60,513	-	-	1,364	60,513
Depreciation	13,124	14,253	-	-	13,124	14,253
Loss on disposal of capital assets	-	2,108	-	-	-	2,108
Administrative expenses:						
On-behalf payments - State	392,831	422,776	-	-	392,831	422,776
Business-type expenses:						
Instructional	-	-	44,271	51,458	44,271	51,458
<b>TOTAL EXPENSES</b>	<b><u>1,139,598</u></b>	<b><u>1,360,317</u></b>	<b><u>44,271</u></b>	<b><u>51,458</u></b>	<b><u>1,183,869</u></b>	<b><u>1,411,775</u></b>
Changes in Net Position before Transfers	78,228	(228,624)	(1,837)	(1,259)	76,391	(229,883)
Transfers	2,988	3,032	(2,988)	(3,032)	-	-
Changes in Net Position	81,216	(225,592)	(4,825)	(4,291)	76,391	(229,883)
Net Position, beginning, restated	94,694	323,806	14,809	19,100	109,503	342,906
Net Position, end of year	<b><u>\$ 175,910</u></b>	<b><u>\$ 98,214</u></b>	<b><u>\$ 9,984</u></b>	<b><u>\$ 14,809</u></b>	<b><u>\$ 185,894</u></b>	<b><u>\$ 113,023</u></b>

**FINANCIAL ANALYSIS OF THE REGIONAL OFFICE OF EDUCATION #40 FUNDS**

As previously noted, the Regional Office of Education #40 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Office's Governmental Funds report combined fund balances of \$152,106 for FY15, compared to \$66,763 for FY14.

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2015**

**FINANCIAL ANALYSIS OF THE REGIONAL OFFICE OF EDUCATION #40 FUNDS  
(CONTINUED)**

**Governmental Fund Highlights:**

-For their fiscal year ended August 31, 2015, Macoupin County continued to support the ROE at 80% with a less than 0.01% increase from FY14 with the Regional Office of Education #40 continuing to pay the insurance premium for the employees.

-For their fiscal year ended November 30, 2015, Jersey County continued to support the ROE at 100% with approximately a 0.04% increase from FY14.

-For their fiscal year ended August 31, 2015, Calhoun County continued to support the ROE at 100% with approximately a 0.09% decrease from FY14.

-For their fiscal year ended December 31, 2015, Greene County continued to support the ROE at 50% with a 0.04% increase from FY14.

-Greene County still continues to only pay 50% of their budgeted amount.

The following changes occurred in fund-level governmental fund revenues:

- Local sources decreased \$40,763.
- State sources, excluding on-behalf payments, increased \$125,920.
- Federal sources increased by \$12,753.
- On-behalf payments from state sources decreased \$156,059.

In total, fund-level governmental fund revenues decreased by \$58,149 and governmental fund expenditures decreased by \$380,950 from FY14 to FY15. The State aid foundation level used to calculate the state aid received in FY15 remained at \$6,119 per student.

**Proprietary Fund Highlights:**

The decrease in proprietary fund revenues of \$7,765 was due to the fact that the Regional Office did not offer as many Administrators' Academy workshops during FY15 as in FY14. The decrease in workshops also contributed to the decrease in proprietary fund expenditures of \$7,187.

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2015**

**FINANCIAL ANALYSIS OF THE REGIONAL OFFICE OF EDUCATION #40 FUNDS  
(CONCLUDED)**

**Budgetary Highlights:**

The Regional Office of Education #40 did not adopt annual budgets, nor are they legally required to, for all funds under its control. The Regional Superintendent annually prepares an Office Operation Budget and submits it to the four county boards for their approval. The Macoupin County Budget and Calhoun County Budget cover a fiscal year which runs from September 1 through August 31. The Jersey County Budget runs from December 1 through November 30. The Greene County Budget runs from January 1 through December 31. Since these budgets are not based on the same operating period as the Regional Office, they are not presented.

Budgetary reports are presented for certain programs funded by the Illinois State Board of Education and the Illinois Community College Board. These budgets must be prepared and submitted to the awarding agencies for approval. Over the course of the year, the Regional Office amended several of its grant budgets to reflect adjustments in revenue and expenditures associated with changes in funding from the federal and State sources or for additional services and supplies needed. Schedules showing the original budgets and final grant budget amounts compared to the Regional Office's actual financial activity are included in the supplementary information section of this report.

**Capital Assets:**

Capital assets of the Regional Office of Education #40 include office equipment, computers, audio-visual equipment, office furniture, and lease-hold building improvements. The Regional Office of Education #40 maintains an inventory of capital assets which have been accumulated over time. For FY15 compared to FY14, net capital assets decreased by \$9,325. Total capital outlay purchases in FY15 was \$4,403 for governmental funds.

**Long-Term Debt:**

On April 1, 2014 the Regional Office of Education entered into a three-year loan agreement for \$7,800 for the purpose of remodeling the leased Jerseyville Office. The Jerseyville Office applied \$2,109 to the loan repayment for adjustable depreciated costs incurred on the former building at 303 W. Exchange. The repayment schedule thereafter is as follow: July 1, 2014 \$491; July 1, 2015 \$2,600 and July 1, 2016 \$2,600. The outstanding June 30, 2015 balance was \$5,200.

**Economic Factors and Next Year's Budget:**

At the time these financial statements were prepared and audited, the Regional Office of Education #40 was aware of several existing circumstances that could affect its financial health in the future.

- The State of Illinois Foundation level used in the calculation has remained the same at \$6,119 per student with the expectation for prorated funding.
- As in the past, we feel grants for FY16 will decrease.
- Due to problems of receiving revenues from the State and programs being cut, the ROE expects significant financial hardship for FY16.

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2015**

**CONTACTING THE REGIONAL OFFICE OF EDUCATION #40'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Regional Office of Education #40'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 at the Regional Office of Education #40, 225 E. Nicholas Street, Carlinville, IL 62626.

## **BASIC FINANCIAL STATEMENTS**



**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**STATEMENT OF NET POSITION**  
**June 30, 2015**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 150,729	\$ 3,297	\$ 154,026
Internal balances	(4,687)	4,687	-
Accounts receivable	348	-	348
Due from other governments	47,673	-	47,673
Total Current Assets	<u>194,063</u>	<u>7,984</u>	<u>202,047</u>
<b>NONCURRENT ASSETS</b>			
Capital assets, being depreciated, net	28,421	2,000	30,421
Net pension asset	17,515	-	17,515
Total Noncurrent Assets	<u>45,936</u>	<u>2,000</u>	<u>47,936</u>
<b>TOTAL ASSETS</b>	<u>239,999</u>	<u>9,984</u>	<u>249,983</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>83,707</u>	<u>-</u>	<u>83,707</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	1,218	-	1,218
Due to other governments	3,459	-	3,459
Notes payable, current	2,600	-	2,600
Unearned revenue	19,112	-	19,112
Total Current Liabilities	<u>26,389</u>	<u>-</u>	<u>26,389</u>
<b>NONCURRENT LIABILITIES</b>			
Note payable, noncurrent	2,600	-	2,600
Net pension liability	103,505	-	103,505
Total Noncurrent Liabilities	<u>106,105</u>	<u>-</u>	<u>106,105</u>
<b>TOTAL LIABILITIES</b>	<u>132,494</u>	<u>-</u>	<u>132,494</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>15,302</u>	<u>-</u>	<u>15,302</u>
<b>NET POSITION</b>			
Net investment in capital assets	23,221	2,000	25,221
Restricted-other	90,270	-	90,270
Unrestricted	62,419	7,984	70,403
<b>TOTAL NET POSITION</b>	<u>\$ 175,910</u>	<u>\$ 9,984</u>	<u>\$ 185,894</u>

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>						
<b>PRIMARY GOVERNMENT</b>						
Governmental Activities						
Instructional Services						
Salaries	\$ 467,474	\$ 12,923	\$ 234,675	\$ (219,876)	\$ -	\$ (219,876)
Employee benefits	39,564	230	15,645	(23,689)	-	(23,689)
Pension expense	37,144	132	7,562	(29,450)	-	(29,450)
Purchased services	158,384	26,625	65,944	(65,815)	-	(65,815)
Supplies and materials	21,713	1,874	14,799	(5,040)	-	(5,040)
Other	1,364	-	-	(1,364)	-	(1,364)
Payments to other governments	8,000	-	8,000	-	-	-
Depreciation	13,124	-	5,774	(7,350)	-	(7,350)
Administrative						
On-behalf payments - State	392,831	-	-	(392,831)	-	(392,831)
<b>Total Governmental Activities</b>	<b>1,139,598</b>	<b>41,784</b>	<b>352,399</b>	<b>(745,415)</b>	<b>-</b>	<b>(745,415)</b>
Business-type Activities						
Instructional	44,271	42,434	-	-	(1,837)	(1,837)
<b>Total Business-type Activities</b>	<b>44,271</b>	<b>42,434</b>	<b>-</b>	<b>-</b>	<b>(1,837)</b>	<b>(1,837)</b>
<b>Total Primary Government</b>	<b>\$ 1,183,869</b>	<b>\$ 84,218</b>	<b>\$ 352,399</b>	<b>(745,415)</b>	<b>(1,837)</b>	<b>(747,252)</b>
General Revenues and Transfers						
Local sources				170,673	-	170,673
State sources				260,139	-	260,139
On-behalf payments - State				392,831	-	392,831
Transfers				2,988	(2,988)	-
<b>Total General Revenues and Transfers</b>				<b>826,631</b>	<b>(2,988)</b>	<b>823,643</b>
Change in net position				81,216	(4,825)	76,391
Net Position - beginning - restated (see Note 14)				94,694	14,809	109,503
Net Position - ending				<u>\$ 175,910</u>	<u>\$ 9,984</u>	<u>\$ 185,894</u>

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2015**

	General Fund	Education Fund	Institute Fund	Other Non-Major Funds	Eliminations	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 72,103	\$ 4,482	\$ 61,881	\$ 12,263	\$ -	\$ 150,729
Accounts receivable	-	-	-	348	-	348
Due from other funds	8,794	-	-	-	(8,794)	-
Due from other governments	35,497	11,166	1,010	-	-	47,673
<b>TOTAL ASSETS</b>	<u>116,394</u>	<u>15,648</u>	<u>62,891</u>	<u>12,611</u>	<u>(8,794)</u>	<u>198,750</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	-	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 116,394</u>	<u>\$ 15,648</u>	<u>\$ 62,891</u>	<u>\$ 12,611</u>	<u>\$ (8,794)</u>	<u>\$ 198,750</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,218	\$ -	\$ -	\$ -	\$ -	\$ 1,218
Due to other funds	2,315	11,166	-	-	(8,794)	4,687
Due to other governments	-	3,459	-	-	-	3,459
Unearned revenue	18,856	-	-	256	-	19,112
<b>Total liabilities</b>	<u>22,389</u>	<u>14,625</u>	<u>-</u>	<u>256</u>	<u>(8,794)</u>	<u>28,476</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	\$ 18,168	-	-	-	-	18,168
<b>FUND BALANCES</b>						
Restricted	-	1,023	62,891	8,841	-	72,755
Assigned	-	-	-	3,514	-	3,514
Unassigned	75,837	-	-	-	-	75,837
<b>Total Fund Balances</b>	<u>75,837</u>	<u>1,023</u>	<u>62,891</u>	<u>12,355</u>	<u>-</u>	<u>152,106</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, OF RESOURCES, AND TOTAL FUND BALANCES</b>	<u>\$ 116,394</u>	<u>\$ 15,648</u>	<u>\$ 62,891</u>	<u>\$ 12,611</u>	<u>\$ (8,794)</u>	<u>\$ 198,750</u>

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**June 30, 2015**

Total fund balances - governmental funds	\$	152,106
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Amounts reported for governmental activities in the Statement of Net Position 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 in the governmental funds.		18,168
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Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds, net of accumulated depreciation of \$157,958.		28,421
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Noncurrent assets related to pension benefits are collected but not payable in the current period and therefore are not reported in the funds.		
IMRF net pension asset		17,515

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and therefore are not reported in the governmental funds as follows:

Deferred outflows of resources	\$	83,707	
Deferred inflows of resources		<u>(15,302)</u>	68,405

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Note payable	\$	(5,200)	
TRS net pension liability		<u>(103,505)</u>	<u>(108,705)</u>

Net position of governmental activities	\$	<u><u>175,910</u></u>
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The notes to the financial statements are an integral part of this statement.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

	General Fund	Education Fund	Institute Fund	Non-Major Special-Revenue Funds	Eliminations	Total Governmental Funds
<b>REVENUES</b>						
Local sources	\$ 148,372	\$ 4,133	\$ 20,690	\$ 21,094	\$ -	\$ 194,289
State sources	260,139	301,003	-	873	-	562,015
State sources - on-behalf payments	266,717	-	-	-	-	266,717
Federal sources	-	50,523	-	-	-	50,523
<b>Total revenues</b>	<b>675,228</b>	<b>355,659</b>	<b>20,690</b>	<b>21,967</b>	<b>-</b>	<b>1,073,544</b>
<b>EXPENDITURES</b>						
Instructional services						
Salaries	219,107	237,367	8,400	2,600	-	467,474
Employee benefits	23,485	15,884	122	73	-	39,564
Pension expense	15,289	7,677	113	-	-	23,079
Purchased services	69,002	66,950	8,872	13,560	-	158,384
Supplies and materials	5,120	15,025	223	1,345	-	21,713
Other	1,364	-	-	-	-	1,364
Payments to other governments	-	8,000	-	-	-	8,000
On-behalf payments	266,717	-	-	-	-	266,717
Capital outlay	670	3,733	-	-	-	4,403
<b>Total expenditures</b>	<b>600,754</b>	<b>354,636</b>	<b>17,730</b>	<b>17,578</b>	<b>-</b>	<b>990,698</b>
Excess/(Deficiency) of revenues over (under) expenditures	74,474	1,023	2,960	4,389	-	82,846
<b>OTHER FINANCING SOURCES (USES)</b>						
Payments on long-term debt	(491)	-	-	-	-	(491)
Transfers in	15,398	-	-	-	(12,410)	2,988
Transfers out	(12,410)	-	-	-	12,410	-
<b>Total other financing sources (uses)</b>	<b>2,497</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,497</b>
Net change in fund balances	76,971	1,023	2,960	4,389	-	85,343
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	(1,134)	-	59,931	7,966	-	66,763
FUND BALANCES, END OF YEAR	<u>\$ 75,837</u>	<u>\$ 1,023</u>	<u>\$ 62,891</u>	<u>\$ 12,355</u>	<u>\$ -</u>	<u>\$ 152,106</u>

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

Net change in fund balances \$ 85,343

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

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	\$ 4,403	
Depreciation expense	<u>(13,124)</u>	(8,721)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.

491

Some revenues 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.

Current year unavailable revenue		18,168
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Governmental funds report pension contributions as expenditures; however, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions	\$ 23,079	
Cost of benefits earned, net	<u>(37,144)</u>	<u>(14,065)</u>

Change in net position of governmental activities		<u><u>\$ 81,216</u></u>
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The notes to the financial statements are an integral part of this statement.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2015**

	Business-Type Activities		Total
	Enterprise Funds		
	Workshops	Administrators' Academy	
Assets			
Current Assets			
Cash and cash equivalents	\$ 2,341	\$ 956	\$ 3,297
Due from other funds	4,687	-	4,687
Total current assets	<u>7,028</u>	<u>956</u>	<u>7,984</u>
Noncurrent Assets			
Capital assets, net of accumulated depreciation	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total noncurrent assets	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total assets	<u>9,028</u>	<u>956</u>	<u>9,984</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities			
Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Net investment in capital assets	2,000	-	2,000
Unrestricted	<u>7,028</u>	<u>956</u>	<u>7,984</u>
Total net position	<u>\$ 9,028</u>	<u>\$ 956</u>	<u>\$ 9,984</u>

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

	Business-Type Activities		Total
	Enterprise Funds		
	Workshops	Administrators' Academy	
Operating Revenues			
Charge for services	\$ 39,015	\$ 3,419	\$ 42,434
Operating Expenses			
Salaries	19,482	-	19,482
Employee benefits	276	-	276
Purchased services	20,102	2,463	22,565
Supplies and materials	1,344	-	1,344
Depreciation	604	-	604
Total operating expenses	41,808	2,463	44,271
Operating Income (Loss)	(2,793)	956	(1,837)
Nonoperating Revenues (Expenses)			
Transfers in	-	985	985
Transfers out	(3,973)	-	(3,973)
Total Nonoperating Revenues (Expenses)	(3,973)	985	(2,988)
Change in net position	(6,766)	1,941	(4,825)
Net Position, Beginning of year	15,794	(985)	14,809
Net Position, End of year	\$ 9,028	\$ 956	\$ 9,984

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



**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

	Business-Type Activities		Total
	Enterprise Funds		
	Nonmajor	Administrators'	
	Workshops	Academy	
Cash Flows from Operating Activities:			
Receipts from customers	\$ 39,921	\$ 3,419	\$ 43,340
Payments to suppliers and providers for goods and services	(21,592)	(2,463)	(24,055)
Payments to employees	(19,758)	-	(19,758)
Net cash provided by (used for) operating activities	<u>(1,429)</u>	<u>956</u>	<u>(473)</u>
Cash Flows from Noncapital Financing Activities:			
Cash transfers from other funds	-	985	985
Cash transfers to other funds	(3,973)	-	(3,973)
Interfund loans (made) repaid, net	(4,687)	(985)	(5,672)
Net cash provided by (used for) noncapital financing activities	<u>(8,660)</u>	<u>-</u>	<u>(8,660)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	-	-	-
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(10,089)	956	(9,133)
Cash and cash equivalents - Beginning of year	<u>12,430</u>	<u>-</u>	<u>12,430</u>
Cash and cash equivalents - End of year	<u>\$ 2,341</u>	<u>\$ 956</u>	<u>\$ 3,297</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (2,793)	\$ 956	\$ (1,837)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	604	-	604
Change in assets and liabilities:			
(Increase)/decrease in due from other governments	906	-	906
Increase/(decrease) in accounts payable	(21)	-	(21)
Increase/(decrease) in due to other governments	(125)	-	(125)
Net cash provided by (used for) operating activities	<u>\$ (1,429)</u>	<u>\$ 956</u>	<u>\$ (473)</u>

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2015**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 25,183</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 25,183</u></u>
<b>LIABILITIES</b>	
Due to other governments	<u>\$ 25,183</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 25,183</u></u>

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

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Regional Office of Education #40 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

In 2015, the Regional Office of Education #40 implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The Regional Office of Education #40 implemented these standards during the current year. The implementation of GASB Statement No. 68 established new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position includes a liability for the government's proportionate share of the employee pension plan. The implementation of GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The implementation of GASB Statement No. 71 resolves an issue related to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

A. Date of Management's Review

Management has evaluated subsequent events through August 22, 2016, 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 #40 encompasses Calhoun, Greene, Jersey, and Macoupin Counties. The Regional Superintendent of Schools (Regional Superintendent) serves as chief administrative officer of the Regional Office of Education #40 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; to evaluate the schools in the region; to examine evidence of indebtedness; to file and keep the 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

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Financial Reporting Entity (Concluded)**

Office of Education #40's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

The Regional Superintendent is responsible for inspection and approval or rejection of school treasurers' bonds. The Regional Superintendent is also required to provide the State Board of Education with an affidavit showing that the treasurers of school districts under 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, 2015, the Regional Office of Education #40 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 Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40. Such activities are reported as a single major fund (Education Fund).

**C. Scope of Reporting Entity**

The Regional Office of Education #40's reporting entity includes all related organizations for which they exercise oversight responsibility.

The Regional Office of Education #40 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the region, including districts or joint agreements which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the Regional Office of Education #40 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 #40 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education #40 is not aware of any entity, which would exercise such oversight as to result in the Regional Office of Education #40 being considered a component unit of the entity.

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 #40 with most of the interfund activities removed. Governmental activities include programs supported primarily by State and federal grants and other intergovernmental revenues. The Regional Office of Education #40 also has business-type activities that rely on fees and charges for support.

The Regional Office of Education #40's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present a summary of governmental and business-type activities for the Regional Office of Education #40 accompanied by a total column. These statements are presented on an "economic resources" measurement focus as prescribed by GASB Statement No. 34. All of the Regional Office of Education #40'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 for services, and (2) grants and contributions that are restricted to meeting 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 governmental funds and proprietary 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 sources and other 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 internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities. In the Statement of Activities those transactions between governmental and business-type activities have not been eliminated.

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

**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.

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Proprietary Fund Financial Statements (Concluded)

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (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 nonmajor 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.

The governmental fund financial statements have been prepared in accordance with generally accepted accounting principles on the modified accrual basis. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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 prepaid expenses and 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.

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**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. The 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 Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education #40; therefore, revenues are recognized based upon the expenditures recorded. 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 #40 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding resources available to finance the program. It is Regional Office of Education #40's policy to first apply restricted funds, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned if any.

H. Fund Accounting

The Regional Office of Education #40 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 #40 uses governmental, proprietary, and fiduciary funds.

*Governmental Funds*

Governmental funds are those through which most governmental functions typically are reported. Governmental funds reporting 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.

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**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), liabilities (including deferred inflows), 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), liabilities (including deferred inflows), 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 #40 has presented all major funds that met the above qualifications.

The Regional Office of Education #40 reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Regional Office of Education #40 and is used to account for all financial resources in the region except those required to be accounted for and reported in another fund. General funds include the following

Administrative Fund – This fund is the general operating fund of the Regional Office of Education #40. It is used to account for all financial resources except those required to be accounted for in another fund.

Alternative Schools Fund – This fund accounts for monies received to educate, serve, and support students, at no cost to the students, in an effort to improve the quality of life of high school dropouts. The funds are used to provide basic skills, obtain high school credit, or prepare for the GED test.

Direct Services – This fund is used for student testing and cooperative services conducted through the Regional Office of Education for the benefit of member districts.

General State Aid – This fund accounts for General State Aid grant monies received from the Illinois State Board of Education and used for the general operations of the Regional Safe Schools program.

Jerseyville Office Remodel – This fund is used for tracking improvements at the Jerseyville Regional Office of Education #40 office.

Jerseyville Office Account – Accounts for general operations at the Jerseyville Regional Office of Education #40.

Macoupin County Monies – Monies received from Macoupin County to pay ROE expenses, such as payroll, phone, rent and office supplies.



**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**  
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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. Fund Accounting (Continued)

*Governmental Funds (Continued)*

Regional Initiative Fund – This fund is utilized for special regional initiatives with the consent and approval of the Macoupin County district superintendents.

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 or committed 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 specified purposes supporting education enhancement programs as follows:

Adult Education - This fund accounts for monies received from the Illinois Community College Board (ICCB) for academic and vocational adult education programs including the following:

Federal Basic – This fund accounts for federal monies received from the ICCB which provide for adult basic education (GED) services for adult education clients.

Public Assistance – This fund accounts for State monies received from the ICCB for vocational training of adult education clients, including computer and certified nurse assistant classes.

State Basic – This fund accounts for State monies received from the ICCB for vocational training and can be used the same as Public Assistance funds.

State Performance – This fund accounts for State monies received from the ICCB that can be used for any purpose that supports the adult education program.

Regional Safe Schools – This program provides instruction services and materials for an alternative school program for at-risk youth who are eligible for suspension or expulsion from their home school districts, creating alternative placement for those students into a safe school program.

Regional Office of Education/ Intermediate Service Centers (ROE/ISC) Operations – This fund accounts for monies received and payment of expenditures in assisting schools in all areas of school improvement.

Teen Parent Services – This program is funded through local donations and provides diapers and other parenting supplies to teen parents involved in the Truants Alternative/Optional Education program.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. Fund Accounting (Continued)

*Governmental Funds (Concluded)*

Title I System of Support – Grant monies in this fund are used to provide professional development activities to schools that are on Illinois’ Academic Watch List. To be on the list, students in the buildings have not made Adequate Yearly Progress for at least two years.

Title II Teacher Quality – This program accounts for the proceeds of a grant passed through the Illinois State Board of Education to provide training and professional development for the improvement of teacher preparation programs.

Truants Alternative/Optional Education – This fund provides alternative educational program services to truant students referred from local schools to the Regional Office of Education #40. It offers prevention and intervention services, which include case management, home visits, school visits, student advocacy, wraparound, referrals to community agencies, and technical assistance to individual school districts and the community.

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

Nonmajor Special Revenue Funds – The Regional Office of Education #40 reports the following nonmajor special revenue funds:

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.

Olympiad Fund – Accounts for a four-day event involving gifted students using activities designed directly applicable to the State Learning Standards. These activities are intended to challenge students to exercise higher level intellectual skills and talents.

*Proprietary Funds*

Proprietary funds are those in which revenues and expenses related to services provided to organizations inside the Regional Office of Education #40 on a cost reimbursement basis are reported.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. Fund Accounting (Concluded)

*Proprietary Funds (Concluded)*

Nonmajor Proprietary Funds – The Regional Office of Education #40 reports the following nonmajor proprietary funds:

Workshops – This fund accounts for expenses incurred for workshops that offer either college credit or other professional development activities.

Administrators' Academy – Accounts for the process by which local school administrators meet the legislated requirement for training and by which administrators may improve their skills in instructional and administrative leadership.

*Fiduciary Funds*

Agency Funds are used to account for assets held by the Regional Office of Education #40 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 the measurement of results of operations. Agency funds include the following:

Central Illinois Rural Region Career & Technical Education System – This fund accounts for the assets held in trust for the benefit of the Central Illinois Rural Region Career & Technical Education System.

Trustee Fund – This fund accounts for monies received from individuals filing petitions requesting annexation or detachment of school district boundary hearings with the Regional Board of School Trustees. Monies are expended to cover hearing expenses.

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 its form or through legal restrictions.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

I. Governmental Fund Balances (Concluded)

Restricted Fund Balance – The portion of a governmental fund’s net position that is subject to external enforceable legal restrictions. The following accounts’ fund balances are restricted by Illinois Statute: Bus Driver Permit, General Education Development Fund, and Institute. The following Education Fund is restricted by grantor or donor restrictions: Teen Parent Services.

Committed Fund Balance – The portion of a governmental fund’s net position with self-imposed constraints or limitations that have been placed at the highest level of decision making. The Regional Office of Education #40 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 following fund presented with an assigned fund balance is specified for a particular purpose by the Regional Superintendent: Olympiad.

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: Administrative, Direct Services, General State Aid, Jerseyville Office Account, Macoupin County Monies, and Regional Initiative. The following General Fund account has an unassigned fund deficit: Alternative Schools Fund.

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 #40 considers all liquid investments, including certificates of deposit, to be cash equivalents.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

L. 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. 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

M. 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.

N. Deferred Inflows and Outflows of Resources

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

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

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

O. Compensated Absences

Employees earn vacation days after completing a full year of service. Part-time employees and individuals hired for less than a twelve month position do not accumulate paid vacation time. Vacation pay is considered an expenditure in the year it is paid. All vacation has to be used before fiscal year end, so no accrual is required.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

O. Compensated Absences (Concluded)

Employees receive one sick day for each month of employment and the unused portion is accumulated and carried forward. Upon termination, employees are not compensated for any unused sick days; therefore, no accruals or reserves have been established.

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Q. Budget Information

The Regional Office of Education #40 acts as the administrative agent for certain grant programs that are accounted for within the General and Education Funds. These programs have separate budgets and are required to be reported to the Illinois State Board of Education and Illinois Community College Board; however, none of the annual budgets have been legally adopted, nor are they required to do so. Certain programs within the General Fund and the Special Revenue Fund do not have separate budgets.

Comparisons of budgeted and actual results for the following programs are presented as supplementary information: Adult Education – Federal Basic, Adult Education – Public Assistance, Adult Education – State Basic, Adult Education – State Performance, Regional Safe Schools, ROE/ISC Operations, Title I System of Support, Title II Teacher Quality, and Truants Alternative/ Optional Education.

**NOTE 2: CASH AND CASH EQUIVALENTS**

The Regional Office of Education #40 does not have a formal investment policy. The Regional Office of Education #40 is allowed to invest in securities as authorized by 30 ILCS 235/2 and 6 and 105 ILCS 5/8-7.

At June 30, 2015, the carrying amount of the Regional Office of Education #40's government-wide and fiduciary fund deposits were \$154,026 and \$25,183, respectively, and the bank balances were \$197,853 and \$49,640, respectively. At June 30, 2015, \$247,493 of the Regional Office of Education #40's cash deposits were insured by the Federal Deposit Insurance Corporation.

*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. To guard against custodial credit risk for deposits with financial institutions, the Regional Office of Education #40 requires that deposits with financial institutions in excess of FDIC limits be secured by some form of collateral, by a written agreement, and held at an independent, third-party institution in the name of the Regional Office of Education #40.

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**NOTE 2: CASH AND CASH EQUIVALENTS (CONCLUDED)**

*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 #40 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*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Regional Office of Education #40 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 #40 has no investment policy that would further limit its investment choices. As of June 30, 2015 the Regional Office of Education #40 was in compliance with these guidelines.

**NOTE 3: DEFINED BENEFIT PENSION PLAN**

**Plan Description**

The Regional Office of Education #40'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 #40's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. 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 Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

**Benefits Provided**

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

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**NOTE 3: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Benefits Provided (Concluded)**

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

**Employees Covered by Benefit Terms**

As of December 31, 2014, the following employees were covered by the benefit terms:

	<b>IMRF</b>
Retirees and Beneficiaries currently receiving benefits	8
Inactive Plan Members entitled to but not yet receiving benefits	17
Active Plan Members	9
<b>Total</b>	<b>34</b>

**Contributions**

As set by statute, the Regional Office of Education #40's Regular Plan Members are required to contribute 4.5% 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 #40's annual contribution rate for calendar year 2014 was 13.75%. For the calendar year ended 2014, the Regional Office of Education #40 contributed \$30,180 to the plan. The Regional Office of Education #40 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 IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**Net Pension Liability**

The Regional Office of Education #40's net pension liability was measured as of December 31, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.



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**NOTE 3: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Actuarial Assumptions**

The following are the methods and assumptions used to determine total pension liability at December 31, 2014:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 3.5%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.60%
International Equity	17%	7.80%
Fixed Income	27%	3.00%
Real Estate	8%	6.15%
Alternative Investments	9%	5.25-8.50%
Cash Equivalents	1%	2.25%
<b>Total</b>	<b>100%</b>	

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**NOTE 3: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Single Discount Rate**

A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.56%, and the resulting single discount rate is 7.50%.

**Changes in the Net Pension Liability**

	<b>Total Pension Liability (A)</b>	<b>Plan Fiduciary Net Position (B)</b>	<b>Net Pension Liability (Asset) (A) - (B)</b>
<b>Balances at December 31, 2013</b>	\$ 867,418	\$ 903,025	\$ (35,607)
<b>Changes for the year:</b>			
Service Cost	23,686	-	23,686
Interest on the Total Pension Liability	64,919	-	64,919
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(15,388)	-	(15,388)
Changes of Assumptions	35,418	-	35,418
Contributions - Employer	-	30,180	(30,180)
Contributions - Employees	-	9,879	(9,879)
Net Investment Income	-	51,159	(51,159)
Benefit Payments, including Refunds of Employee Contributions	(28,115)	(28,115)	-
Other (Net Transfer)	-	(675)	675
<b>Net Changes</b>	<b>80,520</b>	<b>62,428</b>	<b>18,092</b>
<b>Balances at December 31, 2014</b>	<b>\$ 947,938</b>	<b>\$ 965,453</b>	<b>\$ (17,515)</b>

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**NOTE 3: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	<b>1% Lower 6.50%</b>	<b>Current Discount 7.50%</b>	<b>1% Higher 8.50%</b>
<b>Net Pension Liability (Asset)</b>	\$ 98,181	\$ (17,515)	\$ (111,994)

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

For the year ending June 30, 2015, the Regional Office of Education #40 recognized pension expense of \$21,579. At June 30, 2015, the Regional Office of Education #40 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b><i>Deferred Amounts Related to Pensions</i></b>		
<b><i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i></b>		
Differences between expected and actual experience	\$ -	\$ 10,100
Changes of assumptions	23,246	-
Net difference between projected and actual earnings on pension plan investments	13,548	-
Total Deferred Amounts to be recognized in pension expense in future periods	36,794	10,100
<b><i>Pension Contributions made Subsequent to the Measurement Date</i></b>		
	14,693	-
<b>Total Deferred Amounts Related to Pensions</b>	<b>\$ 51,487</b>	<b>\$ 10,100</b>

\$14,693 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

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**NOTE 3: DEFINED BENEFIT PENSION PLAN (CONCLUDED)**

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)**

<b>Year Ending December 31,</b>	<b>Net Deferred Outflows of Resources</b>
2015	\$ 10,271
2016	9,649
2017	3,387
2018	3,387
2019	-
Thereafter	-
<b>Total</b>	<b>\$ 26,694</b>

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

The Regional Office of Education #40 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

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

**Benefits provided**

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

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

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

**Benefits provided (Concluded)**

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

**Contributions**

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

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2015, was 9.4% of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the Regional Office of Education #40.

**On behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #40. For the year ended June 30, 2015, State of Illinois contributions recognized by the Regional Office of Education #40 were based on the State's proportionate share of the collective net pension liability associated with the Regional Office of Education #40, and the Regional Office recognized revenue and expenditures of \$126,114 in pension contributions that the State of Illinois paid 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, 2015 were \$1,186, and are deferred because they were paid after the June 30, 2014 measurement date.

**Federal and special trust fund contributions.** When TRS members are paid from federal and special trust funds administered by the Regional Office of Education #40, there is a statutory requirement for the Regional Office to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the State contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2015, the employer pension contribution was 33.00% of salaries paid from federal and special trust funds. For the year ended June 30, 2015, salaries totaling \$1,539 were paid from federal and special trust funds that required employer contributions of \$508. These contributions are deferred because they were paid after the June 30, 2014 measurement date.

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015**

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

**Contributions (Concluded)**

**Employer retirement cost contributions.** Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The Regional Office of Education #40 is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the current program is 146.5% and applies when the member is age 55 at retirement. For the year ended June 30, 2015, the Regional Office of Education #40 paid no employer ERO contributions.

The Regional Office of Education #40 is also required to make a one-time contribution to TRS for members granted salary increases over 6% if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2015, the Regional Office of Education #40 made no payments to TRS for employer contributions due on salary increases in excess of 6% for sick leave days granted in excess of the normal allotment.

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

At June 30, 2015, the Regional Office of Education #40 reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for State pension support provided to the employer. The State's support and total are for disclosure purposes only. The amount recognized by the Regional Office of Education #40 as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Regional Office of Education #40 were as follows:

Employer's proportionate share of the net pension liability	\$ 103,505
State's proportionate share of the net pension liability associated with the employer	1,566,428
Total	<u>\$ 1,669,933</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, and rolled forward to June 30, 2014. The Regional Office of Education #40's proportion of the net pension liability was based on the employer's share of contributions to TRS for the measurement year ended June 30, 2014, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2014, the Regional Office of Education #40's proportion was 0.0001700755%.

The net pension liability as of the beginning of this first measurement period under GASB Statement No. 68 was measured as of June 30, 2013, and the total pension liability was based on the June 30, 2013, actuarial valuation without any roll-up. The Regional Office of Education #40's proportion of the net pension liability as of June 30, 2013, was based on the Regional Office of Education #40's share of contributions to TRS for the measurement year ended June 30, 2013, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2013, the Regional Office of Education #40's proportion was 0.0001096335%.

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded)**

For the year ended June 30, 2015, the Regional Office of Education #40 recognized pension expense of \$126,114 and revenue of \$126,114 for support provided by the State. For the year ended June 30, 2015, the Regional Office of Education #40 recognized pension expense of \$15,566. At June 30, 2015, the Regional Office of Education #40 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 55	\$ -
Net difference between projected and actual earnings on pension plan investments	-	5,202
Change of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,471	-
Employer contributions subsequent to the measurement date	1,694	-
<b>Total</b>	<b>\$ 32,220</b>	<b>\$ 5,202</b>

\$1,694 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>		
2016	\$	6,109
2017		6,109
2018		6,109
2019		6,109
2020		889
<b>Total</b>	<b>\$</b>	<b>25,325</b>

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Actuarial assumptions**

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

<b>Inflation</b>	3.00%
<b>Salary Increase</b>	5.75%, average, including inflation
<b>Investment rate of return</b>	7.50%, net of pension plan investment expense, including inflation

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

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

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

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



**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015**

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

**Discount Rate**

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

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

**Sensitivity of the Regional Office of Education #40's proportionate share of the net pension liability to changes in the discount rate**

The following presents the Regional Office of Education #40's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate.

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Employer's proportionate share of the net pension liability	\$ 127,824	\$ 103,505	\$ 83,366

**TRS fiduciary net position**

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

**NOTE 5: OTHER POST EMPLOYMENT BENEFITS**

**A. Teacher Health Insurance Security Fund**

The Regional Office of Education #40 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 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 were enrolled in Medicare Parts A and B may be eligible to enroll in Medicare Advantage plans.

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 5: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

A. Teacher Health Insurance Security Fund (Concluded)

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

The percentage of employer required contributions in the future will not exceed 105% 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 #40. State contributions are intended to match contributions to the THIS Fund from active members which were 1.02% of pay during the year ended June 30, 2015. State of Illinois contributions were \$2,085 and the Regional Office of Education #40 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2014 and June 30, 2013 were 0.97 and 0.92 percent of pay, respectively. State contributions on behalf of the Regional Office of Education #40's employees were \$2,490 and \$2,263, respectively.

**Employer contributions to the THIS Fund.** The Regional Office of Education #40 also makes contributions to THIS Fund. The Regional Office of Education #40's contribution was 0.76% during the year ended June 30, 2015 and 0.72 percent and 0.69 percent during the years ended June 30, 2014 and June 30, 2013, respectively. For the year ended June 30, 2015, the Regional Office of Education #40 paid \$1,554 to the THIS Fund, which was 100% of the required contribution. For the years ended June 30, 2014 and 2013, the Regional Office of Education #40 paid \$1,848 and \$1,697, respectively.

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

B. Egyptian Area Schools Employee Benefit Trust

**Plan Description.** The Regional Office of Education #40 contributes to the Egyptian Area Schools Employee Benefit Trust (the "Trust"), a cost-sharing multiple-employer defined benefit health care plan administered by the Board of Managers of the Trust. The Trust provides medical benefits to active and retired employees of over 180 participating employers. The Trust issues a publicly available financial report that includes financial statements and required supplementary information for the Trust. A copy of the report may be obtained by writing to the Egyptian Area Schools Employee Benefit Trust, c/o Meritain Health, 1109 Hartman Lane, Suite 202, Shiloh, IL 62221, or by calling Meritain Health at (866) 588-2431, Option 3 x 6105. The financial report is also posted on the Trust's website at [www.egtrust.org](http://www.egtrust.org).

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 5: OTHER POSTEMPLOYMENT BENEFITS (CONCLUDED)**

B. Egyptian Area Schools Employee Benefit Trust (Concluded)

**Funding Policy.** The Trust Agreement establishing the Trust provides that contribution rates are established and may be modified by the Board of Managers of the Trust. Contribution rates are normally adjusted as of September 1 each year. As of June 30, 2015, participating employers were contractually required to contribute at the following rates for active and retired employees and dependents.

	Plan A	Plan B	Plan C	Plan E	HDHP
Employee (Retiree)	\$ 728	\$ 658	\$ 568	\$ 568	\$ 484
Employee + Spouse	1,500	1,355	1,175	1,170	994
Employee + child(ren)	1,450	1,306	1,134	1,128	976
Family	1,615	1,456	1,265	1,257	1,072

Participating employers may require employees and/or retirees to pay some or all of the required contributions to the employer, but the employer has the legal obligation to pay contributions to the Trust. The Regional Office of Education #40 requires retirees to pay 100% of the contribution for the coverage for retirees and their dependents.

The Board of Managers of the Trust sets the employer contribution rates each year based on an actuarial valuation. The Trust's actuary has determined that as of June 30, 2012 the contribution rates exceed the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Regional Office of Education #40's contributions to the Trust for the years ending June 30, 2015, June 30, 2014 and June 30, 2013, were \$27,714, \$29,974, and \$40,714, respectively, which equaled the contractually required contributions each year.

**NOTE 6: INTERFUND RECEIVABLES AND PAYABLES**

Interfund due to / from other fund balances at June 30, 2015 consist of the following individual due to / from other funds in the governmental funds Balance Sheet and the proprietary funds Statement of Net Position. Balances of the same fund type were eliminated in the government-wide Statement of Net Position.

Fund	Due From Other Funds	Due to Other Funds
General Funds		
Alternative Schools Fund	\$ -	\$ 2,315
Direct Services	2,315	-
General State Aid	6,479	-
Special Revenue Fund - Education Funds		
Adult Education - Public Assistance	-	2,240
Adult Education - State Basic	-	2,390
Adult Education - State Performance	-	1,849
Title I System of Support	-	4,109
Title II Teacher Quality	-	578
Nonmajor Proprietary Fund - Workshops	4,687	-
	<u>\$ 13,481</u>	<u>\$ 13,481</u>

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 7: DUE TO/DUE FROM OTHER GOVERNMENTAL UNITS**

The Regional Office of Education #40's General Fund, Education Fund, Institute 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	\$	34,722
Illinois State Board of Education		775
Special Revenue Fund – Education Fund		
Illinois Community College Board		6,479
Illinois State Board of Education		4,687
Special Revenue Fund – Institute Fund		
Local Governments		1,010
Total	\$	<u>47,673</u>

Due to Other Governments

Special Revenue Fund – Education Fund		
Local Governments	\$	3,459
Fiduciary Fund – Agency Fund		
Other Local Governments		25,183
Total	\$	<u>28,642</u>

**NOTE 8: CAPITAL ASSETS**

Capital asset activity for fiscal year 2015 was as follows:

Governmental Activities

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Funds	\$ 185,558	\$ 4,403	\$ 3,582	\$ 186,379
Equipment				
Less: Accumulated Depreciation	<u>148,416</u>	<u>13,124</u>	<u>3,582</u>	<u>157,958</u>
Governmental Funds				
Investment in Capital Assets, Net	<u>\$ 37,142</u>	<u>\$ (8,721)</u>	<u>\$ -</u>	<u>\$ 28,421</u>

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 8: CAPITAL ASSETS (CONCLUDED)**

Business-Type Activities

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Funds	\$ 6,621	\$ -	\$ -	\$ 6,621
Equipment				
Less: Accumulated Depreciation	4,017	604	-	4,621
Governmental Funds				
Investment in Capital Assets, Net	\$ 2,604	\$ (604)	\$ -	\$ 2,000

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense of \$13,124 and \$604 was charged to the governmental activities and business-type activities, respectively, on the government-wide Statement of Activities for the year ended June 30, 2015. Net investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation.

Depreciation expense was charged to the following functions:

Governmental Activities	
Instruction	\$ 8,006
Improvement of instruction services	2,169
General administration	2,374
Information services	575
Total	\$ 13,124
Business-Type Activities	
Improvement of instruction services	604
Total	\$ 604

**NOTE 9: RISK MANAGEMENT**

The Regional Office of Education #40 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. The Regional Office of Education #40 has purchased commercial insurance to cover these risks. During the year ended June 30, 2015, there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 10: ON-BEHALF PAYMENTS**

The State of Illinois pays the following salaries and benefits on behalf of Regional Office of Education #40:

Regional Superintendent Salary	\$	105,953
Regional Superintendent Fringe Benefits (Includes State paid insurance)		31,784
Assistant Regional Superintendent Salaries		95,736
Assistant Regional Superintendent Fringe Benefits (Includes State paid insurance)		31,159
THIS Fund Contributions		<u>2,085</u>
Total	<u>\$</u>	<u>266,717</u>

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education (ISBE). These amounts have been recorded in the accompanying financial statements as State revenue and expenditures.

Regional Office of Education #40 also recorded \$126,114 in revenue and expenses as on-behalf payments from ISBE for the Regional Office's share of the State's Teachers' Retirement System (TRS) pension expense in the Statement of Activities. In addition, the Regional Office of Education #40 has not included any on-behalf payments related to the State's TRS pension expense for the Regional Superintendent or Assistant Regional Superintendent.

State of Illinois on-behalf payments	\$	266,717
ROE #40's share of TRS pension expense		<u>126,114</u>
Total	<u>\$</u>	<u>392,831</u>

**NOTE 11: INTERFUND TRANSFERS**

Interfund transfer in/out to other funds at June 30, 2015 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.

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Administrative	\$ 14,907	\$ -
Direct Services	-	3,973
General State Aid	-	4,464
Jerseyville Office Remodel	491	-
Regional Initiative	-	3,973
Proprietary Fund		
Administrators' Academy	985	-
Workshops	-	3,973
Total	<u>\$ 16,383</u>	<u>\$ 16,383</u>

**CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 12: NOTES PAYABLE**

The Regional Office of Education #40 entered into a loan agreement with the County of Jersey, Illinois, on April 1, 2014 for the remodeling of the Jerseyville regional office in the amount of \$7,800. Debt retired during the year ended June 30, 2015 was \$491. The Regional Office of Education #40 had \$5,200 in outstanding notes at June 30, 2015. Maturities of the outstanding balance are as follows: \$2,600 on July 1, 2015, and \$2,600 on July 1, 2016.

**NOTE 13: 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 a deficit fund balance at June 30, 2015:

General Fund	
Alternative Schools Fund	\$ 2,315

**NOTE 14: RESTATEMENT**

The Regional Office of Education #40 implemented GASB 68 and consequently recognized deferred outflows of resources, deferred inflows of resources, and net pension liability in the current year. The net opening balance of deferred outflows of resources, deferred inflows of resources, and net pension liability was \$3,520 for Governmental Activities. Because these pension-related opening balances reflect pension expenses not previously recognized, the opening net position of the governmental activities and business-type activities on the government-wide Statement of Activities has been restated as follows:

<u>Governmental Activities Net Position</u>	
Net Position - July 01, 2014	\$ 98,214
Effect of recognizing deferred outflows of resources and net pension liability	(3,520)
Net Position, restated - July 01, 2014	<u>\$ (94,694)</u>

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



**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY & RELATED RATIOS**  
**ILLINOIS MUNICIPAL RETIREMENT FUND**  
**CALENDAR YEAR 2014**

Calendar Year Ended December 31,	<u>2014</u>
<b>Total Pension Liability</b>	
Service Cost	\$ 23,686
Interest on the Total Pension Liability	64,919
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(15,388)
Changes of Assumptions	35,418
Benefit Payments, including Refunds of Employee Contributions	(28,115)
<b>Net Change in Total Pension Liability</b>	<u>80,520</u>
 <b>Total Pension Liability - Beginning</b>	 <u>867,418</u>
 <b>Total Pension Liability - Ending (A)</b>	 <u><u>\$ 947,938</u></u>
 <b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 30,180
Contributions - Employees	9,879
Net Investment Income	51,159
Benefit Payments, including Refunds of Employee Contributions	(28,115)
Other (Net Transfer)	(675)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>62,428</u>
 <b>Plan Fiduciary Net Position - Beginning</b>	 <u>903,025</u>
 <b>Plan Fiduciary Net Position - Ending (B)</b>	 <u><u>\$ 965,453</u></u>
 <b>Net Pension Liability - Ending (A) - (B)</b>	 <u><u>\$ (17,515)</u></u>
 <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	 101.85%
 <b>Covered Valuation Payroll</b>	 \$ 219,532
 <b>Net Pension Liability as a Percentage of Covered Valuation Payroll</b>	 -7.98%

**Notes to Schedule:**

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND  
CALENDAR YEAR 2014**

Calendar Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2014	\$ 30,186	\$ 30,180	\$ 6	\$ 219,532	13.75%

**Notes to Schedule:**

*Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2014 Contribution Rate\**

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine 2014 Contribution Rates:**

<i>Actuarial Cost Method:</i>	Aggregate entry age = normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	29-year closed period
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	4%
<i>Price Inflation:</i>	3%, approximate; no explicit price inflation assumption is used in this valuation.
<i>Salary Increases:</i>	4.40% to 16%, including inflation
<i>Investment Rate of Return:</i>	7.50%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility
<i>Mortality:</i>	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

***Other Information:***

Notes: There were no benefit changes during the year.

\* Based on Valuation Assumptions used in the December 31, 2012, actuarial valuation; note two-year lag between valuation and rate setting.

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40  
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
FOR THE YEAR ENDED JUNE 30, 2015 \***

Employer's proportion of the net pension liability	0.0001700755%
Employer's proportionate share of the net pension liability	\$ 103,505
State's proportionate share of the net pension liability associated with the employer	1,566,428
<b>Total</b>	<b>\$ 1,669,933</b>
Employer's covered-employee payroll	\$ 299,998
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	34.5%
Plan fiduciary net position as a percentage of the total pension liability	43.0%

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
FOR THE YEAR ENDED JUNE 30, 2015 †**

Fiscal Year Ended June 30,	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Employer's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2015	\$ 1,694	\$ 1,694	\$ -	\$ 211,946	0.8%
2014	6,084	6,068	16	299,998	2.0%

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

**Notes to This Required Supplementary Information**

*Changes of assumptions*

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

**OTHER SUPPLEMENTAL INFORMATION**

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**COMBINING SCHEDULE OF ACCOUNTS**  
**GENERAL FUND**  
**June 30, 2015**

	Administrative	Alternative Schools Fund	Direct Services	General State Aid	Jerseyville Office Remodel
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 9,353	\$ 13,056	\$ -
Due from other funds	-	-	2,315	6,479	-
Due from other governments	265	-	555	775	-
Total Assets	<u>265</u>	<u>-</u>	<u>12,223</u>	<u>20,310</u>	<u>-</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 265</u>	<u>\$ -</u>	<u>\$ 12,223</u>	<u>\$ 20,310</u>	<u>\$ -</u>
<b>Liabilities</b>					
Accounts payable	\$ 165	\$ -	\$ 17	\$ 1,036	\$ -
Due to other funds	-	2,315	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	<u>165</u>	<u>2,315</u>	<u>17</u>	<u>1,036</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance</b>					
Unassigned	<u>100</u>	<u>(2,315)</u>	<u>12,206</u>	<u>19,274</u>	<u>-</u>
Total Fund Balances (Deficits)	<u>100</u>	<u>(2,315)</u>	<u>12,206</u>	<u>19,274</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 265</u>	<u>\$ -</u>	<u>\$ 12,223</u>	<u>\$ 20,310</u>	<u>\$ -</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**COMBINING SCHEDULE OF ACCOUNTS**  
**GENERAL FUND**  
**June 30, 2015**

	Jerseyville Office Account	Macoupin County Monies	Regional Initiative	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 15,690	\$ 16,290	\$ 17,714	\$ 72,103
Due from other funds	-	-	-	8,794
Due from other governments	16,373	17,529	-	35,497
Total Assets	<u>32,063</u>	<u>33,819</u>	<u>17,714</u>	<u>116,394</u>
<b>Deferred Outflows of Resources</b>				
	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 32,063</u>	<u>\$ 33,819</u>	<u>\$ 17,714</u>	<u>\$ 116,394</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,218
Due to other funds	-	-	-	2,315
Unearned revenue	7,170	11,686	-	18,856
Total Liabilities	<u>7,170</u>	<u>11,686</u>	<u>-</u>	<u>22,389</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	639	17,529	-	18,168
<b>Fund Balance</b>				
Unassigned	24,254	4,604	17,714	75,837
Total Fund Balances (Deficits)	<u>24,254</u>	<u>4,604</u>	<u>17,714</u>	<u>75,837</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 32,063</u>	<u>\$ 33,819</u>	<u>\$ 17,714</u>	<u>\$ 116,394</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GENERAL FUND ACCOUNTS**  
**For the Year Ended June 30, 2015**

	Administrative	Alternative Schools Fund	Direct Services	General State Aid	Jerseyville Office Remodel
<b>Revenues</b>					
Local sources	\$ 878	\$ -	\$ 19,634	\$ 6,163	\$ -
State sources	-	51,580	-	208,559	-
State sources - On Behalf Payments	266,717	-	-	-	-
Total Revenue	<u>267,595</u>	<u>51,580</u>	<u>19,634</u>	<u>214,722</u>	<u>-</u>
<b>Expenditures</b>					
Salaries	-	16,872	13,404	118,901	-
Employee benefits	-	1,365	1,026	5,905	-
Pension expense	-	1,388	1,573	3,683	-
Purchased services	16,067	1,865	16,014	32,116	-
Supplies and materials	699	1,387	145	2,065	-
Capital outlay	-	-	-	-	-
Other	-	-	-	-	-
Payments made on behalf of region	266,717	-	-	-	-
Total Expenditures	<u>283,483</u>	<u>22,877</u>	<u>32,162</u>	<u>162,670</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(15,888)</u>	<u>28,703</u>	<u>(12,528)</u>	<u>52,052</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>					
Payments on long-term debt	-	-	-	-	(491)
Transfers in	14,907	-	-	-	491
Transfers out	-	-	(3,973)	(4,464)	-
Total Other Financing Sources (Uses)	<u>14,907</u>	<u>-</u>	<u>(3,973)</u>	<u>(4,464)</u>	<u>-</u>
Net Change in Fund Balance	(981)	28,703	(16,501)	47,588	-
Fund Balance (Deficit), Beginning of year	<u>1,081</u>	<u>(31,018)</u>	<u>28,707</u>	<u>(28,314)</u>	<u>-</u>
Fund Balance (Deficit), End of year	<u>\$ 100</u>	<u>\$ (2,315)</u>	<u>\$ 12,206</u>	<u>\$ 19,274</u>	<u>\$ -</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GENERAL FUND ACCOUNTS  
For the Year Ended June 30, 2015**

	Jerseyville Office Account	Macoupin County Monies	Regional Initiative	Total
<b>Revenues</b>				
Local sources	\$ 69,120	\$ 52,577	\$ -	\$ 148,372
State sources	-	-	-	260,139
State sources - On Behalf Payments	-	-	-	266,717
Total Revenue	<u>69,120</u>	<u>52,577</u>	<u>-</u>	<u>675,228</u>
<b>Expenditures</b>				
Salaries	35,204	34,726	-	219,107
Employee benefits	12,438	2,751	-	23,485
Pension expense	5,005	3,640	-	15,289
Purchased services	326	1,472	1,142	69,002
Supplies and materials	597	227	-	5,120
Capital outlay	335	335	-	670
Other	1,364	-	-	1,364
Payments made on behalf of region	-	-	-	266,717
Total Expenditures	<u>55,269</u>	<u>43,151</u>	<u>1,142</u>	<u>600,754</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>13,851</u>	<u>9,426</u>	<u>(1,142)</u>	<u>74,474</u>
<b>Other Financing Sources (Uses)</b>				
Payments on long-term debt	-	-	-	(491)
Transfers in	-	-	-	15,398
Transfers out	-	-	(3,973)	(12,410)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(3,973)</u>	<u>2,497</u>
Net Change in Fund Balance	13,851	9,426	(5,115)	76,971
Fund Balance (Deficit), Beginning of year	<u>10,403</u>	<u>(4,822)</u>	<u>22,829</u>	<u>(1,134)</u>
Fund Balance (Deficit), End of year	<u>\$ 24,254</u>	<u>\$ 4,604</u>	<u>\$ 17,714</u>	<u>\$ 75,837</u>



**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**COMBINING SCHEDULE OF ACCOUNTS**  
**EDUCATION FUND**  
**June 30, 2015**

	Adult Education Programs	Regional Safe Schools	ROE/ISC Operations	Teen Parent Services
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,023
Due from other governments	6,479	-	-	-
Total Assets	<u>6,479</u>	<u>-</u>	<u>-</u>	<u>1,023</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 6,479</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,023</u></u>
Liabilities				
Due to other funds	\$ 6,479	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-
Total Liabilities	<u>6,479</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance				
Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,023</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 6,479</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,023</u></u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**COMBINING SCHEDULE OF ACCOUNTS**  
**EDUCATION FUND**  
**June 30, 2015**

	Title I System of Support	Title II Teacher Quality	Truants Alternative/ Optional Education	Total
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 3,459	\$ 4,482
Due from other governments	4,109	578	-	11,166
Total Assets	<u>4,109</u>	<u>578</u>	<u>3,459</u>	<u>15,648</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,109</u>	<u>\$ 578</u>	<u>\$ 3,459</u>	<u>\$ 15,648</u>
<b>Liabilities</b>				
Due to other funds	\$ 4,109	\$ 578	\$ -	\$ 11,166
Due to other governments	-	-	3,459	3,459
Total Liabilities	<u>4,109</u>	<u>578</u>	<u>3,459</u>	<u>14,625</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance				
Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,023</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,109</u>	<u>\$ 578</u>	<u>\$ 3,459</u>	<u>\$ 15,648</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**EDUCATION FUND ACCOUNTS**  
**For the Year Ended June 30, 2015**

	Adult Education Programs	Regional Safe Schools	ROE/ISC Operations	Teen Parent Services
<b>Revenues</b>				
Local sources	\$ -	\$ -	\$ -	\$ 4,133
State sources	77,747	61,835	62,635	-
Federal sources	25,502	-	-	-
Total Revenues	<u>103,249</u>	<u>61,835</u>	<u>62,635</u>	<u>4,133</u>
<b>Expenditures</b>				
Salaries	86,446	48,046	32,395	-
Employee benefits	6,373	1,078	5,187	-
Pension expense	2,535	784	1,687	-
Purchased services	7,396	8,631	21,167	250
Supplies and materials	499	3,296	-	2,860
Capital outlay	-	-	2,199	-
Payments to other governments	-	-	-	-
Total Expenditures	<u>103,249</u>	<u>61,835</u>	<u>62,635</u>	<u>3,110</u>
Net Change in Fund Balance	-	-	-	1,023
Fund Balance, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,023</u></u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**EDUCATION FUND ACCOUNTS**  
**For the Year Ended June 30, 2015**

	Title I System of Support	Title II Teacher Quality	Truants Alternative/ Optional Education	Total
<b>Revenues</b>				
Local sources	\$ -	\$ -	\$ -	\$ 4,133
State sources	-	-	98,786	301,003
Federal sources	24,443	578	-	50,523
Total Revenues	<u>24,443</u>	<u>578</u>	<u>98,786</u>	<u>355,659</u>
<b>Expenditures</b>				
Salaries	11,199	-	59,281	237,367
Employee benefits	834	-	2,412	15,884
Pension expense	71	-	2,600	7,677
Purchased services	10,798	578	18,130	66,950
Supplies and materials	1,141	-	7,229	15,025
Capital outlay	-	-	1,534	3,733
Payments to other governments	400	-	7,600	8,000
Total Expenditures	<u>24,443</u>	<u>578</u>	<u>98,786</u>	<u>354,636</u>
Net Change in Fund Balance	-	-	-	1,023
Fund Balance, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,023</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**COMBINING SCHEDULE OF ACCOUNTS**  
**EDUCATION FUND**  
**ADULT EDUCATION PROGRAMS**  
**June 30, 2015**

	<u>Federal Basic</u>	<u>Public Assistance</u>	<u>State Basic</u>	<u>State Performance</u>	<u>Total</u>
<b>Assets</b>					
Due from other governments	\$ -	\$ 2,240	\$ 2,390	\$ 1,849	\$ 6,479
Deferred Outflows of Resources	-	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ -</u>	<u>\$ 2,240</u>	<u>\$ 2,390</u>	<u>\$ 1,849</u>	<u>\$ 6,479</u>
<b>Liabilities</b>					
Due to other funds	\$ -	\$ 2,240	\$ 2,390	\$ 1,849	\$ 6,479
Deferred Inflows of Resources	-	-	-	-	-
<b>Fund Balance</b>					
Unassigned	-	-	-	-	-
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ -</u>	<u>\$ 2,240</u>	<u>\$ 2,390</u>	<u>\$ 1,849</u>	<u>\$ 6,479</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**EDUCATION FUND ACCOUNTS**  
**ADULT EDUCATION PROGRAMS**  
**For the Year Ended June 30, 2015**

	Federal Basic	Public Assistance	State Basic	State Performance	Total
Revenues					
State sources	\$ -	\$ 26,885	\$ 28,674	\$ 22,188	\$ 77,747
Federal sources	25,502	-	-	-	25,502
Total Revenues	<u>25,502</u>	<u>26,885</u>	<u>28,674</u>	<u>22,188</u>	<u>103,249</u>
Expenditures					
Salaries	20,461	25,011	25,834	15,140	86,446
Employee benefits	866	172	534	4,801	6,373
Pension expense	535	303	421	1,276	2,535
Purchased services	3,546	1,399	1,480	971	7,396
Supplies and materials	94	-	405	-	499
Total Expenditures	<u>25,502</u>	<u>26,885</u>	<u>28,674</u>	<u>22,188</u>	<u>103,249</u>
Net Change in Fund Balance	-	-	-	-	-
Fund Balance, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of July 1, 2014 to June 30, 2015)**  
**EDUCATION FUND ACCOUNTS**  
**ADULT EDUCATION - FEDERAL BASIC**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 25,611	\$ 25,502	\$ 25,502
Total Revenues	<u>25,611</u>	<u>25,502</u>	<u>25,502</u>
Expenditures			
Salaries	19,523	18,494	20,461
Employee benefits	5,000	900	866
Pension expense	-	-	535
Purchased services	1,088	1,700	3,546
Supplies and materials	-	4,408	94
Total Expenditures	<u>25,611</u>	<u>25,502</u>	<u>25,502</u>
Net change in fund balance	-	-	-
Fund Balance, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of July 1, 2014 to June 30, 2015)**  
**EDUCATION FUND ACCOUNTS**  
**ADULT EDUCATION - PUBLIC ASSISTANCE**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 32,129	\$ 26,885	\$ 26,885
Total Revenues	<u>32,129</u>	<u>26,885</u>	<u>26,885</u>
Expenditures			
Salaries	26,429	23,319	25,011
Employee benefits	1,800	431	172
Pension expense	-	-	303
Purchased services	3,900	2,518	1,399
Supplies and materials	-	617	-
Total Expenditures	<u>32,129</u>	<u>26,885</u>	<u>26,885</u>
Net change in fund balance	-	-	-
Fund Balance, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of July 1, 2014 to June 30, 2015)**  
**EDUCATION FUND ACCOUNTS**  
**ADULT EDUCATION - STATE BASIC**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 27,583	\$ 28,674	\$ 28,674
Total Revenues	<u>27,583</u>	<u>28,674</u>	<u>28,674</u>
Expenditures			
Salaries	25,362	24,521	25,834
Employee benefits	1,050	608	534
Pension expense	-	-	421
Purchased services	1,171	2,312	1,480
Supplies and materials	-	1,233	405
Total Expenditures	<u>27,583</u>	<u>28,674</u>	<u>28,674</u>
Net change in fund balance	-	-	-
Fund Balance, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of July 1, 2014 to June 30, 2015)**  
**EDUCATION FUND ACCOUNTS**  
**ADULT EDUCATION - STATE PERFORMANCE**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 19,698	\$ 22,188	\$ 22,188
Total Revenues	<u>19,698</u>	<u>22,188</u>	<u>22,188</u>
Expenditures			
Salaries	17,100	14,969	15,140
Employee benefits	802	5,656	4,801
Pension expense	-	-	1,276
Purchased services	1,796	1,249	971
Supplies and materials	-	314	-
Total Expenditures	<u>19,698</u>	<u>22,188</u>	<u>22,188</u>
Net change in fund balance	-	-	-
Fund Balance, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of July 1, 2014 to June 30, 2015)**  
**EDUCATION FUND ACCOUNTS**  
**REGIONAL SAFE SCHOOLS**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 63,258	\$ 61,835	\$ 61,835
Total Revenues	<u>63,258</u>	<u>61,835</u>	<u>61,835</u>
Expenditures			
Salaries	42,918	47,046	48,046
Employee benefits	1,148	1,148	1,078
Pension expense	-	-	784
Purchased services	10,104	9,392	8,631
Supplies and materials	7,088	4,249	3,296
Capital outlay	2,000	-	-
Total Expenditures	<u>63,258</u>	<u>61,835</u>	<u>61,835</u>
Net change in fund balance	-	-	-
Fund Balance, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of September 11, 2014 to June 30, 2015)**  
**EDUCATION FUND ACCOUNTS**  
**ROE/ISC OPERATIONS**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 62,635	\$ 62,635	\$ 62,635
Total Revenues	<u>62,635</u>	<u>62,635</u>	<u>62,635</u>
Expenditures			
Salaries	30,375	30,375	32,395
Employee benefits	6,625	6,625	5,187
Pension expense	-	-	1,687
Purchased services	22,635	22,635	21,167
Capital outlay	3,000	3,000	2,199
Total Expenditures	<u>62,635</u>	<u>62,635</u>	<u>62,635</u>
Net change in fund balance	-	-	-
Fund Balance, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of July 1, 2014 to June 30, 2015)**  
**EDUCATION FUND ACCOUNTS**  
**TITLE I - SYSTEM OF SUPPORT**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 47,280	\$ 66,780	\$ 24,443
Total Revenues	<u>47,280</u>	<u>66,780</u>	<u>24,443</u>
Expenditures			
Salaries	23,400	21,383	11,199
Employee benefits	2,268	1,220	834
Pension expense	-	-	71
Purchased services	18,180	39,713	10,798
Supplies and materials	1,182	1,670	1,141
Payments to other governmental units	2,250	2,794	400
Total Expenditures	<u>47,280</u>	<u>66,780</u>	<u>24,443</u>
Net change in fund balance	-	-	-
Fund Balance, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of February 11, 2015 to June 30, 2015)**  
**EDUCATION FUND ACCOUNTS**  
**TITLE II TEACHER QUALITY**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Federal sources	\$ 702	\$ 702	\$ 578
Total Revenues	<u>702</u>	<u>702</u>	<u>578</u>
Expenditures:			
Purchased services	702	702	578
Total Expenditures	<u>702</u>	<u>702</u>	<u>578</u>
Net change in fund balance	-	-	-
Fund Balance, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**BUDGETARY COMPARISON SCHEDULE**  
**(For the Period of July 1, 2014 to June 30, 2015)**  
**EDUCATION FUND ACCOUNTS**  
**TRUANTS ALTERNATIVE/OPTIONAL EDUCATION**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 104,599	\$ 102,245	\$ 98,786
Total Revenues	<u>104,599</u>	<u>102,245</u>	<u>98,786</u>
Expenditures			
Salaries	89,224	62,735	59,281
Employee benefits	2,665	4,810	2,412
Pension expense	-	-	2,600
Purchased services	4,210	21,700	18,130
Supplies and materials	4,900	5,400	7,229
Capital outlay	-	1,000	1,534
Payments to other governmental units	3,600	6,600	7,600
Total Expenditures	<u>104,599</u>	<u>102,245</u>	<u>98,786</u>
Net change in fund balance	-	-	-
Fund Balance, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2015**

	Bus Driver Permit Fund	General Education Development Fund	Olympiad Fund	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 7,872	\$ 877	\$ 3,514	\$ 12,263
Accounts receivable	-	348	-	348
Total Assets	<u>7,872</u>	<u>1,225</u>	<u>3,514</u>	<u>12,611</u>
Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 7,872</u>	<u>\$ 1,225</u>	<u>\$ 3,514</u>	<u>\$ 12,611</u>
<b>Liabilities</b>				
Unearned revenue	\$ 256	\$ -	\$ -	\$ 256
Total Liabilities	<u>256</u>	<u>-</u>	<u>-</u>	<u>256</u>
Deferred Inflows of Resources	-	-	-	-
<b>Fund Balance</b>				
Restricted	7,616	1,225	-	8,841
Assigned	-	-	3,514	3,514
Total Fund Balances	<u>7,616</u>	<u>1,225</u>	<u>3,514</u>	<u>12,355</u>
Total Liabilities, Deferred Inflows of Resources, and Total Fund Balances	<u>\$ 7,872</u>	<u>\$ 1,225</u>	<u>\$ 3,514</u>	<u>\$ 12,611</u>



**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2015**

	Bus Driver Permit Fund	General Education Development Fund	Olympiad Fund	Total
<b>Revenues</b>				
Local sources	\$ 1,684	\$ 6,250	\$ 13,160	\$ 21,094
State sources	873	-	-	873
Total Revenues	<u>2,557</u>	<u>6,250</u>	<u>13,160</u>	<u>21,967</u>
<b>Expenditures</b>				
Salaries	-	-	2,600	2,600
Employee benefits	-	-	73	73
Purchased services	2,339	739	10,482	13,560
Supplies and materials	206	102	1,037	1,345
Total Expenditures	<u>2,545</u>	<u>841</u>	<u>14,192</u>	<u>17,578</u>
Net Change in Fund Balance	12	5,409	(1,032)	4,389
Fund Balance (Deficit), Beginning of year	<u>7,604</u>	<u>(4,184)</u>	<u>4,546</u>	<u>7,966</u>
Fund Balance, End of year	<u>\$ 7,616</u>	<u>\$ 1,225</u>	<u>\$ 3,514</u>	<u>\$ 12,355</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #40**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**ALL AGENCY FUNDS**  
**June 30, 2015**

	Central IL Rural Region Career & Technical Education System	Trustee Fund	Total Agency Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Assets			
Cash and cash equivalents	\$ 25,183	\$ -	\$ 25,183
Total Assets	<u>\$ 25,183</u>	<u>\$ -</u>	<u>\$ 25,183</u>
Liabilities			
Due to other governments	\$ 25,183	\$ -	\$ 25,183
Total Liabilities	<u>\$ 25,183</u>	<u>\$ -</u>	<u>\$ 25,183</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION #40  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
For the Year Ended June 30, 2015**

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b><u>Central Illinois Rural Region Career &amp; Technical Education System</u></b>				
Assets				
Cash and cash equivalents	\$ 22,854	\$ 450,798	\$ 448,469	\$ 25,183
Total Assets	<u>\$ 22,854</u>	<u>\$ 450,798</u>	<u>\$ 448,469</u>	<u>\$ 25,183</u>
Liabilities				
Due to other governments	\$ 22,854	\$ 450,798	\$ 448,469	\$ 25,183
Total Liabilities	<u>\$ 22,854</u>	<u>\$ 450,798</u>	<u>\$ 448,469</u>	<u>\$ 25,183</u>
<b><u>Trustee Fund</u></b>				
Assets				
Cash and cash equivalents	\$ 1,000	\$ 1,000	\$ 2,000	\$ -
Total Assets	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 2,000</u>	<u>\$ -</u>
Liabilities				
Due to others	\$ 1,000	\$ 1,000	\$ 2,000	\$ -
Total Liabilities	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 2,000</u>	<u>\$ -</u>
<b><u>Total</u></b>				
Assets				
Cash and cash equivalents	\$ 23,854	\$ 451,798	\$ 450,469	\$ 25,183
Total Assets	<u>\$ 23,854</u>	<u>\$ 451,798</u>	<u>\$ 450,469</u>	<u>\$ 25,183</u>
Liabilities				
Due to other governments	\$ 22,854	\$ 450,798	\$ 448,469	\$ 25,183
Due to others	<u>1,000</u>	<u>1,000</u>	<u>2,000</u>	<u>-</u>
Total Liabilities	<u>\$ 23,854</u>	<u>\$ 451,798</u>	<u>\$ 450,469</u>	<u>\$ 25,183</u>