

**STATE OF ILLINOIS
HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**FINANCIAL AUDIT
For the year ended June 30, 2015**

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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REGIONAL OFFICE OF EDUCATION NO. 25**

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**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

OFFICIALS

Regional Superintendent (during the audit period).....Mr. Ron Daniels

Assistant Regional Superintendent (during the audit period)Ms. Melanie Andrews

Office is located at:

Jefferson County Office
1710 Broadway
Mt. Vernon, IL 62864

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

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	5	5
Repeated audit findings	3	4
Prior recommendations implemented or not repeated	2	2

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>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
2015-001	10	Controls over Financial Statement Preparation	Material Weakness
2015-002	12	Internal Controls over Payroll and Grant Compliance	Significant Deficiency and Compliance
2015-003	14	Internal Controls over Cash	Significant Deficiency
2015-004	17	Controls over Compliance with Laws and Regulations	Compliance
2015-005	18	Internal Control over Grant Compliance	Compliance

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

2014-003		Internal Controls over Cash Disbursements	Significant Deficiency
2014-005		Excess Working Cash in Internal Service Fund	Compliance

EXIT CONFERENCE

The Hamilton and Jefferson Counties Regional Office of Education No. 25 opted not to have a formal exit conference during the financial audit for the year ended June 30, 2015. Throughout the audit, numerous meetings were held between the auditors and Regional Office officials to discuss matters contained in this audit report.

Responses to the recommendations were provided by Ron Daniels, Regional Office of Education No. 13 Regional Superintendent, on November 24, 2015.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Hamilton and Jefferson Counties Regional Office of Education No. 25 was performed by West & Company, LLC.

Based on their audit, the auditors expressed an unmodified opinion on the Hamilton and Jefferson Counties Regional Office of Education No. 25's basic financial statements.

WEST & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS
&
CONSULTANTS

MEMBERS

RICHARD C. WEST
BRIAN E. DANIELL
JANICE K. ROMACK
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SULLIVAN

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 Hamilton and Jefferson Counties Regional Office of Education No. 25, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Hamilton and Jefferson Counties Regional Office of Education No. 25's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Hamilton and Jefferson Counties Regional Office of Education No. 25's 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 from 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 Hamilton and Jefferson Counties Regional Office of Education No. 25, 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 discussed in Note 1, paragraph E in the notes to the financial statements, the Regional Office of Education No. 25 adopted 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*. Our opinion is not modified with respect to this matter.

As discussed in Note 20, the Hamilton and Jefferson Counties Regional Office of Education No. 25 will disband effective July 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Illinois Municipal Retirement Fund - Schedule of Changes in the Net Pension Liability and Related Ratios, Illinois Municipal Retirement Fund - Schedule of Employer Contributions, Teachers' Retirement System of the State of Illinois - Schedule of Employer's Proportionate Share of the Net Pension Liability, and Teachers' Retirement System of the State of Illinois - Schedule of Employer Contributions on pages 73-76 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hamilton and Jefferson Counties Regional Office of Education No. 25's basic financial statements. The combining schedules of accounts, the budgetary comparison schedules, and the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2016 on our consideration of the Hamilton and Jefferson Counties Regional Office of Education No. 25's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hamilton and Jefferson Counties Regional Office of Education No. 25's internal control over financial reporting and compliance.

West & Company, LLC

Mattoon, Illinois
February 26, 2016

WEST & COMPANY, LLC

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**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**

INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hamilton and Jefferson Counties Regional Office of Education No. 25, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Hamilton and Jefferson Counties Regional Office of Education No. 25's basic financial statements, and have issued our report thereon dated February 26, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hamilton and Jefferson Counties Regional Office of Education No. 25's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hamilton and Jefferson Counties Regional Office of Education No. 25's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hamilton and Jefferson Counties Regional Office of Education No. 25'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 deficiency described in the accompanying Schedule of Findings and Responses as finding 2015-001 to be a material weakness.

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 deficiencies described in in the accompanying Schedule of Findings and Responses as findings 2015-002 and 2015-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hamilton and Jefferson Counties Regional Office of Education No. 25's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as findings 2015-002, 2015-004, and 2015-005.

Hamilton and Jefferson Counties Regional Office of Education No. 25's Responses to Findings

The Hamilton and Jefferson Counties Regional Office of Education No. 25's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Hamilton and Jefferson Counties Regional Office of Education No. 25'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 Hamilton and Jefferson Counties Regional Office of Education No. 25's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hamilton and Jefferson Counties Regional Office of Education No. 25's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

West & Company, LLC

Mattoon, Illinois
February 26, 2016

SCHEDULE OF FINDINGS AND RESPONSES

HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25

SCHEDULE OF FINDINGS AND RESPONSES
SECTION I - SUMMARY OF AUDITORS' RESULTS
For the year ended June 30, 2015

Section I - Summary of Auditors' Results

Financial statements

Type of auditors' report issued:

UNMODIFIED

Internal control over financial reporting:

- Material weakness(es) identified?

X yes no

- Significant deficiency(ies) identified?

X yes none reported

Noncompliance material to financial
statements noted?

X yes no

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2015**

Section II - Financial Statement Findings

FINDING NO. 2015-001 – Controls over Financial Statement Preparation (Repeat of Finding 14-001, 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-05)

Criteria/Specific Requirement:

The Hamilton and Jefferson Counties Regional Office of Education No. 25 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 No. 25'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 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 No. 25 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting and posts year-end accrual entries for financial statement purposes. The Regional Office does not have sufficient internal controls over the processing of some accounting transactions. There are not sufficient controls over the preparation/review 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 errors and omissions in a timely manner.

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

In addition, numerous other adjustments were required to present financial statements in accordance with generally accepted accounting principles.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2015**

Section II - Financial Statement Findings (Continued)

FINDING NO. 2015-001 – Controls over Financial Statement Preparation (Repeat of Finding 14-001, 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-05) (Continued)

Effect:

The Regional Office of Education No. 25'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 No. 25's management, the limited resources of the office have led to the bookkeeper being employed on a part-time basis. The office is continuing to learn the required procedures to properly maintain internal controls and GAAP based financial reporting. In addition, the complex requirements of GASB Statements No. 68 and 71 were new for fiscal year 2015 and will require time and training before the Regional Office can fully implement the requirements on its own.

Auditors' Recommendation:

Since Regional Office of Education No. 25 has been dissolved and its counties are being merged into other Regional Offices, Regional Offices of Education No. 13 and No. 20 should implement comprehensive preparation and/or review procedures as a part of their internal control over the preparation of financial statements, including disclosures, to ensure the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

Management's Response:

The Regional Office of Education No. 25 understands the nature of this finding and realizes that this circumstance is not unusual for an organization of this size. The Regional Office accepts the degree of risk associated with this condition because the added cost of employing a full-time accountant to prepare and review financial statements would take away from the funds available to provide educational services to the schools in our region. With the consolidation of offices, Regional Offices of Education No. 13 and No. 20 will continue to receive training for GAAP accounting procedures.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2015**

Section II - Financial Statement Findings (Continued)

FINDING NO. 2015-002 – Internal Controls over Payroll and Grant Compliance (Partial Repeat of Finding 14-002, 13-003, 13-004, 12-05, and 11-06)

Criteria/Specific Requirement:

The *Regional Office of Education (ROE) Accounting Manual* (Section XIV) states all payroll costs should be supported by time and effort attendance records (prepared at least monthly and signed by the employee) that account for the total activity for which each employee is compensated. Only actual payroll costs supported by time sheets should be charged to each Source of Funds.

Condition:

During the course of the audit, auditors noted that certain employees' assigned functions included tasks for various programs. For employees who are assigned functions spanning multiple funds, the Regional Office of Education No. 25 allocates salaries across the various grants at the beginning of the fiscal year based on expected time and effort to be spent on each of the programs. Because employees do not track time spent on individual grants, there is no documentation to verify if actual time and effort spent on programs correlates with the expected amount.

During the review of payroll, auditors tested twenty-five (25) employees, covering twenty-four (24) payroll periods. Of the eight (8) employees assigned functions spanning multiple funds, three (3) employees' records (38%) were deficient in providing adequate documentation to verify that the salary allocations to individual funds correlate with actual time spent on activities in such funds.

Effect:

Without maintained time and effort sheets showing the time spent on each program, the allocation of employees' time across funds cannot be accurately determined. Grant programs may have been over or under allocated for salary and benefit expenses.

Cause:

Per Regional Office staff, they feel the allocation of salaries across funds is a proper representation of employees' time spent on each fund. They do not believe it would be cost effective for each employee to keep track of time spent on activities on a daily basis.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2015**

Section II - Financial Statement Findings (Continued)

FINDING NO. 2015-002 – Internal Controls over Payroll and Grant Compliance (Partial Repeat of Finding 14-002, 13-003, 13-004, 12-05, and 11-06) (Continued)

Auditors' Recommendation:

Since Regional Office of Education No. 25 has been dissolved and its counties are being merged into other Regional Offices, Regional Offices of Education No. 13 and No. 20 should implement proper controls over payroll. Time and effort sheets should be completed and maintained to allocate actual costs to each fund, including grants, accordingly. The Regional Superintendent should approve payroll only after proper fund allocation has been determined.

Management's Response:

The Regional Superintendent always approves all salaries paid to employees. With limited resources, several employees are paid from multiple grant and funding sources. Although the work load for each assignment may vary year to year, the employee still completes the assigned tasks required by the program. With the consolidation of offices, Regional Offices of Education No. 13 and No. 20 will continue to determine the best method to monitor time and effort.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2015**

Section II - Financial Statement Findings (Continued)

FINDING NO. 2015-003 – Internal Controls over Cash (Partial Repeat of Finding 14-004)

Criteria/Specific Requirement:

The *Regional Office of Education (ROE) Accounting Manual* (Foreword) establishes that the Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system that provides reasonable assurance about the reliability of its GAAP financial statements, operational compliance with legal and contractual provisions, safeguarding of assets, and effectiveness and efficiency of ROE operations.

Illinois statute (105 ILCS 5/3-12) restricts the use of Institute Fund monies to defray expenses associated with the work of the regional professional development review committees; to defray expenses connected with improving the technology necessary for the efficient processing of licenses; to defray all costs associated with the administration of teaching licenses; to defray 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 of the region, which has been approved by the regional superintendent.

Condition:

During the course of the audit, auditors noted various issues related to controls over cash:

- A total of eighteen (18) checks were incorrectly numbered in the general ledger. Due to this sequencing issue, six checks cleared the bank with different payees and amounts than what was reported in the general ledger. The rest of the checks associated with the incorrect check numbers recorded in the general ledger were voided.
- An entry was not recorded in the general ledger to record the closing transfer from the Eastern Illinois University (EIU) cash account to the pooled cash account. The final bank reconciliation for the EIU bank account and the related general ledger account indicated an available cash balance of \$950 despite the account having been closed. This amount was recorded as transferred into the operating account but not as transferred out of the closed account.
- Checks totaling \$18,648 were written after year-end but were backdated to June 30, 2015 to be reported as expenses of the 2015 fiscal year. These amounts should have been recorded as accounts payable if not paid until after the end of the fiscal year.
- The Regional Office pools most of its cash in one bank account. With such an account, funds with deficit cash balances are considered to have borrowed cash from other funds to cover their expenditures. The Regional Office reported deficit cash balances in several of its funds at June 30, 2015. Prior to proposed audit adjustments, cash from the Institute Fund was reduced by \$13,719 to cover these deficit balances even though unrestricted amounts were available. In addition, the Institute Fund reported \$15,000 of transfers out to the General Fund. Neither loans to other funds nor transfers are authorized uses of Institute Fund monies. Audit adjustments proposed by the auditors and approved by Regional Office of Education No. 25 personnel have been posted to correct these errors.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2015**

Section II - Financial Statement Findings (Continued)

FINDING NO. 2015-003 – Internal Controls over Cash (Partial Repeat of Finding 14-004)
(Continued)

Condition: (Continued)

- Auditors noted nineteen (19) checks that were not adequately voided in order to prevent them being presented for payment. One of the nineteen (19) checks had already been signed by the Regional Superintendent and the Assistant Regional Superintendent and could have been presented for payment.

Effect:

The lack of controls over cash could cause the financial statements to be misstated. Also, the Regional Office was not in compliance with Illinois statute 105 ILCS 5/3-12.

Cause:

- The incorrectly numbered checks were due to printing issues, and the accounting software does not allow the check numbers to be edited once printed.
- The entry to complete the transfer of cash from the EIU cash account was inadvertently omitted.
- Due to the impending dissolution on July 1, 2015, the Regional Office wanted to have all bills paid by June 30, 2015 to avoid reporting payables at year-end. The bookkeeper also noted that funds were not available to pay the outstanding balances until the last days of the fiscal year. Due to her part-time schedule, the obligations were not able to be processed and paid until July.
- The use of restricted funds was an error when adjustments were prepared to clear deficit cash balances. The Regional Office did not realize that transfers out of the Institute Fund are an unauthorized use of such monies.
- Regional Office staff felt the notations used on the voided checks were sufficient to prevent them from being presented for payment.

Auditors' Recommendation:

Since Regional Office of Education No. 25 has been dissolved and its counties are being merged into other Regional Offices, Regional Offices of Education No. 13 and No. 20 management should design and implement an adequate system of internal controls over cash to prevent errors. Accounting personnel should ensure that closed accounts are properly reflected in the general ledger and transfers agree between funds. All disbursements related to the fiscal year made after year-end should be recorded as payables at year-end. The Regional Offices should initiate procedures to monitor cash and ensure that Institute Fund cash is expended only for purposes as noted in Illinois statute 105 ILCS 5/3-12. Checks should be sufficiently voided to prevent processing.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2015**

Section II - Financial Statement Findings (Continued)

FINDING NO. 2015-003 – Internal Controls over Cash (Partial Repeat of Finding 14-004)
(Continued)

Management's Response:

The Regional Office of Education understands the nature of the finding. Several minor procedural errors were made by the part-time bookkeeper. With limited resources, the Institute Fund was inadvertently used to clear deficit cash balances.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2015**

Section II - Financial Statement Findings (Continued)

FINDING NO. 2015-004 – Controls over Compliance with Laws and Regulations

Criteria/Specific Requirement:

The Illinois School Code 105 ILCS 5/17-19 allows a Regional Superintendent to take out a line of credit in anticipation of revenues. However, the Regional Superintendent is only allowed to borrow up to 85 percent of current year anticipated grant revenue or 50 percent of next fiscal year anticipated grant revenue, as certified by the State Superintendent. The Regional Superintendent shall authorize this line of credit by executive order or resolution. The executive order or resolution shall set forth facts demonstrating the need for the line of credit, the amount to be borrowed, the maximum interest rate allowed, and the date by which the funds will be repaid. Funds borrowed under this section are to be repaid within 60 days after the revenues have been received.

Condition:

The Regional Office withdrew funds from its line of credit on July 15, 2014 and again on September 9, 2014 following the provisions of 105 ILCS 5/17-19. The line of credit was not repaid within 60 days of receiving the expected revenues. Only a \$12 principal payment was paid on the line of credit during the fiscal year. The balance on the line of credit at June 30, 2015 was \$199,988. The line of credit was renewed on June 30, 2015 with an expiration date of September 30, 2015. As the Regional Office of Education No. 25 is being eliminated as of June 30, 2015, the Regional Superintendent stated the Regional Office of Education No. 13 will be reporting this debt after June 30, 2015.

Effect:

The Regional Office was not in compliance with Illinois statute 105 ILCS 5/17-19.

Cause:

The Regional Office did not have the available funds to cover both operating costs and repay the line of credit when revenues were received.

Auditors' Recommendation:

Since Regional Office of Education No. 25 has been dissolved and its counties are being merged into other Regional Offices, Regional Offices of Education No. 13 and No. 20 should comply with the requirements of 105 ILCS 5/17-19.

Management's Response:

The Regional Office of Education No. 25 understands the nature of the finding. With limited resources, revenues were needed to cover current operating expenses of the Regional Office rather than paying off the line of credit. As delayed state and grant funding became available, funds were applied to the line of credit.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2015**

Section II - Financial Statement Findings (Continued)

FINDING NO. 2015-005 – Internal Control over Grant Compliance

Criteria/Specific Requirement:

As a recipient of federal, State, and local funds from various grantor agencies, the Regional Office must incorporate certain procedures into their operations in order to comply with the grant agreements with these entities. The Regional Office is responsible for establishing and maintaining an internal control system over receipts and disbursements sufficient to complete accurate and timely quarterly expenditure reports required for grants administered by the Illinois State Board of Education and passed through other entities to the Regional Office.

Condition:

During the course of the audit, we noted the following related to internal control over grant compliance:

- The Regional Office's general ledger for the McKinney Education for Homeless Children program did not agree to the final expenditure report. Supplies totaling \$1,771 were incorrectly classified as purchased services and \$2,487 of other expenditures reported on the expenditure report were not recorded in the general ledger.
- The final expenditure report for the System of Support program was not consistent with the Regional Office's general ledger. The expenditure report showed purchased services and supplies of \$5,849 and \$296, respectively, greater than the general ledger. After posting adjusting journal entries, the general ledger reflects \$489 less, overall, in expenditures for this program than the expenditure report.

Effect:

Expenditure reports submitted by the Regional Office did not accurately report the expenditures attributed to these grants.

Cause:

- The program coordinator had prepared a correct version of the expenditure report. However, the program coordinator and the bookkeeper had a miscommunication about necessary changes to reconcile the general ledger and the expenditure report.
- The part-time bookkeeper did not have adequate time to review the expenditure report and reconcile it to the general ledger.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2015**

Section II - Financial Statement Findings (Continued)

FINDING NO. 2015-005 – Internal Control over Grant Compliance (Continued)

Auditors' Recommendation:

Since Regional Office of Education No. 25 has been dissolved and its counties are being merged into other Regional Offices, Regional Offices of Education No. 13 and No. 20 should ensure that expenditure reports agree to the general ledger and are an accurate report of the grants' activities.

Management's Response:

The Regional Office of Education understands the nature of the finding. With all of the accounting required for the closing and consolidation of the Regional Office of Education No. 25 and the late in the year adjustments made to the grants, minor procedural errors were made by the part-time bookkeeper.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**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 (Repeat of Finding 14-001, 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-05)

Condition:

The Regional Office of Education No. 25 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting and posts year-end accrual entries for financial statement purposes. The Regional Office does not have sufficient internal controls over the processing of some accounting transactions. There are not sufficient controls over the preparation/review 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 errors and omissions in a timely manner.

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

In addition, numerous other adjustments were required to present financial statements in accordance with generally accepted accounting principles.

Plan:

With the consolidation of offices, Regional Offices of Education No. 13 and No. 20 will continue to implement and adjust current procedures and controls with limited available funds to ensure accurate records. The Regional Offices will continue to receive training for GAAP accounting procedures and attempt to employ accountants to guide the bookkeepers in completing these accounting procedures.

Anticipated Date of Completion:

May 31, 2016

Name of Contact Person:

Regional Superintendent of Regional Office of Education No. 13 – Ron Daniels

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the year ended June 30, 2015**

Corrective Action Plan (Continued)

FINDING NO. 2015-002 – Internal Controls over Payroll and Grant Compliance (Partial Repeat of Finding 14-002, 13-003, 13-004, 12-05, and 11-06)

Condition:

During the course of the audit, auditors noted that certain employees' assigned functions included tasks for various programs. For employees who are assigned functions spanning multiple funds, the Regional Office of Education No. 25 allocates salaries across the various grants at the beginning of the fiscal year based on expected time and effort to be spent on each of the programs. Because employees do not track time spent on individual grants, there is no documentation to verify if actual time and effort spent on programs correlates with the expected amount.

During the review of payroll, auditors tested twenty-five (25) employees, covering twenty-four (24) payroll periods. Of the eight (8) employees assigned functions spanning multiple funds, three (3) employees' records (38%) were deficient in providing adequate documentation to verify that the salary allocations to individual funds correlate with actual time spent on activities in such funds.

Plan:

The Regional Superintendent will implement and monitor a monthly use of time and effort sheets. Changes made to any employee contracts will be noted and kept on file as change in time allocations are noted.

Anticipated Date of Completion:

August 2015

Name of Contact Person:

Regional Superintendent of Regional Office of Education No. 13 – Ron Daniels

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the year ended June 30, 2015**

Corrective Action Plan (Continued)

FINDING NO. 2015-003 – Internal Controls over Cash (Partial Repeat of Finding 14-004)

Condition:

During the course of the audit, auditors noted various issues related to controls over cash:

- A total of eighteen (18) checks were incorrectly numbered in the general ledger. Due to this sequencing issue, six checks cleared the bank with different payees and amounts than what was reported in the general ledger. The rest of the checks associated with the incorrect check numbers recorded in the general ledger were voided.
- An entry was not recorded in the general ledger to record the closing transfer from the Eastern Illinois University (EIU) cash account to the pooled cash account. The final bank reconciliation for the EIU bank account and the related general ledger account indicated an available cash balance of \$950 despite the account having been closed. This amount was recorded as transferred into the operating account but not as transferred out of the closed account.
- Checks totaling \$18,648 were written after year-end but were backdated to June 30, 2015 to be reported as expenses of the 2015 fiscal year. These amounts should have been recorded as accounts payable if not paid until after the end of the fiscal year.
- The Regional Office pools most of its cash in one bank account. With such an account, funds with deficit cash balances are considered to have borrowed cash from other funds to cover their expenditures. The Regional Office reported deficit cash balances in several of its funds at June 30, 2015. Prior to proposed audit adjustments, cash from the Institute Fund was reduced by \$13,719 to cover these deficit balances even though unrestricted amounts were available. In addition, the Institute Fund reported \$15,000 of transfers out to the General Fund. Neither loans to other funds nor transfers are authorized uses of Institute Fund monies. Audit adjustments proposed by the auditors and approved by Regional Office of Education No. 25 personnel have been posted to correct these errors.
- Auditors noted nineteen (19) checks that were not adequately voided in order to prevent them being presented for payment. One of the nineteen (19) checks had already been signed by the Regional Superintendent and the Assistant Regional Superintendent and could have been presented for payment.

Plan:

With the consolidation of offices, Regional Offices of Education No. 13 and No. 20 will closely monitor that proper accounting procedures are used for closing accounts and year-end reporting.

Anticipated Date of Completion:

June 2016

Name of Contact Person:

Regional Superintendent of Regional Office of Education No. 13 – Ron Daniels

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the year ended June 30, 2015**

Corrective Action Plan (Continued)

FINDING NO. 2015-004 – Controls over Compliance with Laws and Regulations

Condition:

The Regional Office withdrew funds from its line of credit on July 15, 2014 and again on September 9, 2014 following the provisions of 105 ILCS 5/17-19. The line of credit was not repaid within 60 days of receiving the expected revenues. Only a \$12 principal payment was paid on the line of credit during the fiscal year. The balance on the line of credit at June 30, 2015 was \$199,988. The line of credit was renewed on June 30, 2015 with an expiration date of September 30, 2015. As the Regional Office of Education No. 25 is being eliminated as of June 30, 2015, the Regional Superintendent stated the Regional Office of Education No. 13 will be reporting this debt after June 30, 2015.

Plan:

With the consolidation of offices, funds available from the new Regional Office of Education No. 13 will be used to pay off the line of credit to avoid interest costs. When Regional Office of Education No. 25's revenues are received by Regional Offices of Education No. 13 and No. 20, they will be applied toward the balance paid.

Anticipated Date of Completion:

December 2015

Name of Contact Person:

Regional Superintendent of Regional Office of Education No. 13 – Ron Daniels

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the year ended June 30, 2015**

Corrective Action Plan (Continued)

FINDING NO. 2015-005 – Internal Control over Grant Compliance

Condition:

During the course of the audit, we noted the following related to internal control over grant compliance:

- The Regional Office’s general ledger for the McKinney Education for Homeless Children program did not agree to the final expenditure report. Supplies totaling \$1,771 were incorrectly classified as purchased services and \$2,487 of other expenditures reported on the expenditure report were not recorded in the general ledger.
- The final expenditure report for the System of Support program was not consistent with the Regional Office’s general ledger. The expenditure report showed purchased services and supplies of \$5,849 and \$296, respectively, greater than the general ledger. After posting adjusting journal entries, the general ledger reflects \$489 less, overall, in expenditures for this program than the expenditure report.

Plan:

With the consolidation of offices, Regional Offices of Education No. 13 and No. 20 will work with the bookkeepers to ensure expenditure reports agree to the general ledger and are an accurate report of the grant expenses.

Anticipated Date of Completion:

June 2016

Name of Contact Person:

Regional Superintendent of Regional Office of Education No. 13 – Ron Daniels

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2015**

Finding Number	Condition	Current Status
2014-001	Controls over Financial Statement Preparation	Repeated as finding 2015-001
2014-002	Internal Controls over Payroll and Grant Compliance	Partially repeated as finding 2015-002
2014-003	Internal Controls over Cash Disbursements	Resolved
2014-004	Internal Controls over Restricted Cash	Partially repeated as finding 2015-003
2014-005	Excess Working Cash in Internal Service Fund	Resolved

BASIC FINANCIAL STATEMENTS

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**STATEMENT OF NET POSITION
June 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 66,776	\$ 6,857	\$ 73,633
Accounts receivable	1,549	35	1,584
Due from other governments	95,320	-	95,320
Internal balances	44,126	(44,126)	-
Total current assets	207,771	(37,234)	170,537
Noncurrent assets:			
Capital assets, net	625,014	-	625,014
Total assets	832,785	(37,234)	795,551
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	69,248	2,307	71,555
LIABILITIES			
Current liabilities:			
Accounts payable	16,003	2,215	18,218
Operating line of credit	199,988	-	199,988
Due to other governments	4,163	-	4,163
Current portion of long-term debt	23,104	-	23,104
Total current liabilities	243,258	2,215	245,473
Noncurrent liabilities:			
Net pension liability	163,823	979	164,802
Long-term debt, net of current portion	277,868	-	277,868
Total noncurrent liabilities	441,691	979	442,670
Total liabilities	684,949	3,194	688,143

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**STATEMENT OF NET POSITION (Concluded)
June 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	288,794	-	288,794
NET POSITION			
Net investment in capital assets	324,042	-	324,042
Restricted for educational purposes	39,093	-	39,093
Unrestricted	(434,845)	(38,121)	(472,966)
Total net position	\$ (71,710)	\$ (38,121)	\$ (109,831)

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**STATEMENT OF ACTIVITIES
For the year ended June 30, 2015**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Governmental activities:						
Instructional services:						
Salaries and benefits	\$ 897,063	\$ -	\$ 719,120	\$ (177,943)	\$ -	\$ (177,943)
Purchased services	188,882	-	139,952	(48,930)	-	(48,930)
Supplies and materials	23,256	-	19,488	(3,768)	-	(3,768)
Depreciation	24,379	-	-	(24,379)	-	(24,379)
Pension expense	21,370	-	-	(21,370)	-	(21,370)
Debt service:						
Interest on long-term debt	20,834	-	-	(20,834)	-	(20,834)
Administrative:						
On-behalf payments - State	546,867	-	-	(546,867)	-	(546,867)
Total governmental activities	<u>1,722,651</u>	<u>-</u>	<u>878,560</u>	<u>(844,091)</u>	<u>-</u>	<u>(844,091)</u>
Business-type activities:						
Other	56,041	63,726	-	-	7,685	7,685
Total business-type activities	<u>56,041</u>	<u>63,726</u>	<u>-</u>	<u>-</u>	<u>7,685</u>	<u>7,685</u>
Total primary government	<u>\$ 1,778,692</u>	<u>\$ 63,726</u>	<u>\$ 878,560</u>	<u>(844,091)</u>	<u>7,685</u>	<u>(836,406)</u>
General revenues:						
Local sources				336,019	-	336,019
On-behalf payments - State				546,867	-	546,867
Investment earnings				229	-	229
Gain on sale of capital assets				30,905	-	30,905
Total general revenues				<u>914,020</u>	<u>-</u>	<u>914,020</u>
Change in net position				69,929	7,685	77,614
Net position - beginning of year, restated (see note 21)				<u>(141,639)</u>	<u>(45,806)</u>	<u>(187,445)</u>
Net position - end of year				<u>\$ (71,710)</u>	<u>\$ (38,121)</u>	<u>\$ (109,831)</u>

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

	General Fund	Education Fund	Institute	Other Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 11,453	\$ 8,394	\$ 31,328	\$ 1,888	\$ 53,063
Accounts receivable	25	-	210	435	670
Due from other funds	164,612	-	-	-	164,612
Due from other governments	91,032	-	-	-	91,032
	<u>267,122</u>	<u>8,394</u>	<u>31,538</u>	<u>2,323</u>	<u>309,377</u>
Total assets	<u>\$ 267,122</u>	<u>\$ 8,394</u>	<u>\$ 31,538</u>	<u>\$ 2,323</u>	<u>\$ 309,377</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 8,666	\$ 54	\$ -	\$ -	\$ 8,720
Operating line of credit	199,988	-	-	-	199,988
Due to other governments	1,055	3,108	-	-	4,163
	<u>209,709</u>	<u>3,162</u>	<u>-</u>	<u>-</u>	<u>212,871</u>
Total liabilities	<u>209,709</u>	<u>3,162</u>	<u>-</u>	<u>-</u>	<u>212,871</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	52,960	-	-	-	52,960
	<u>52,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,960</u>
FUND BALANCES					
Restricted	-	5,721	31,538	2,323	39,582
Unassigned	4,453	(489)	-	-	3,964
	<u>4,453</u>	<u>5,232</u>	<u>31,538</u>	<u>2,323</u>	<u>43,546</u>
Total fund balances	<u>4,453</u>	<u>5,232</u>	<u>31,538</u>	<u>2,323</u>	<u>43,546</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 267,122</u>	<u>\$ 8,394</u>	<u>\$ 31,538</u>	<u>\$ 2,323</u>	<u>\$ 309,377</u>

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2015**

Total fund balances - governmental funds	\$	43,546
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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 considered "unavailable" revenues and are deferred inflows of resources in the governmental funds.		52,960
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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.

Deferred outflows of resources	\$ 69,248	
Deferred inflows of resources	<u>(288,794)</u>	(219,546)

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

Net pension liability		(163,823)
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, net	\$ 625,014	
Less internal service fund net assets included in internal service fund net position below	<u>(600,012)</u>	25,002

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position.

Internal service fund net position is:		<u>190,151</u>
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Net position of governmental activities	\$	<u><u>(71,710)</u></u>
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The notes to the financial statements are an integral part of this statement.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ending June 30, 2015**

	General Fund	Education Fund	Institute	Other Nonmajor Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 200,563	\$ 95,961	\$ 11,985	\$ 6,383	\$ 314,892
State sources	280,568	513,901	-	688	795,157
Federal sources	-	83,403	-	-	83,403
On-behalf payments	249,609	-	-	-	249,609
Interest	228	-	1	-	229
Total revenues	730,968	693,265	11,986	7,071	1,443,290
Expenditures:					
Instructional services:					
Salaries and benefits	362,572	525,473	-	8,894	896,939
Purchased services	74,345	127,444	-	1,651	203,440
Supplies and materials	6,565	16,657	-	34	23,256
Pension expense	18,753	37,518	-	1,203	57,474
On-behalf payments	249,609	-	-	-	249,609
Debt service:					
Interest	2,474	-	-	-	2,474
Total expenditures	714,318	707,092	-	11,782	1,433,192
Excess (deficiency) of revenues over (under) expenditures	16,650	(13,827)	11,986	(4,711)	10,098
Other financing sources (uses):					
Transfers in	-	117,830	-	6,774	124,604
Transfers out	(106,941)	-	-	-	(106,941)
Total other financing sources (uses)	(106,941)	117,830	-	6,774	17,663
Net change in fund balances	(90,291)	104,003	11,986	2,063	27,761
Fund balances (deficits), beginning of year	94,744	(98,771)	19,552	260	15,785
Fund balances, end of year	\$ 4,453	\$ 5,232	\$ 31,538	\$ 2,323	\$ 43,546

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**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 - governmental funds	\$	27,761
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Some revenues will not be collected for several months after the Regional Office's fiscal year ends; they are considered "unavailable" revenues and are deferred inflows of resources in the governmental funds.</p>		
<p>Current fiscal year revenues that will not be collected within 60 days of the Regional Office's fiscal year end are considered deferred inflows of resources in the fund statements.</p>	\$ 52,960	
<p>Prior year deferred inflows of resources that are recorded as revenue in the fund statements in the current fiscal year.</p>	<u>(31,833)</u>	21,127
<p>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.</p>		
<p>Pension contributions</p>	\$ 57,474	
<p>Cost of benefits earned net of employee contributions</p>	<u>(21,370)</u>	36,104
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
<p>Depreciation expense</p>		(5,184)
<p>Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.</p>		
		<u>(9,879)</u>
Change in net position - governmental activities	\$	<u><u>69,929</u></u>

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015**

	Business-Type Activities			Governmental Activities	
	Enterprise Funds				
	Mt. Vernon Conference	Testing	Other Nonmajor Fund - Finger Printing	Total	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ -	\$ 6,857	\$ 6,857	\$ 13,713
Accounts receivable	-	-	35	35	879
Due from other governments	-	-	-	-	4,288
Total current assets	-	-	6,892	6,892	18,880
Noncurrent assets:					
Capital assets, net	-	-	-	-	600,012
Total assets	-	-	6,892	6,892	618,892
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	-	-	2,307	2,307	-
LIABILITIES					
Current liabilities:					
Accounts payable	-	-	2,215	2,215	7,283
Due to other funds	21,252	22,874	-	44,126	120,486
Current portion of long-term debt	-	-	-	-	23,104
Total current liabilities	21,252	22,874	2,215	46,341	150,873
Noncurrent liabilities:					
Net pension liability	-	-	979	979	-
Long-term debt, net of current portion	-	-	-	-	277,868
Total noncurrent liabilities	-	-	979	979	277,868
Total liabilities	21,252	22,874	3,194	47,320	428,741
NET POSITION					
Net investment in capital assets	-	-	-	-	299,040
Unrestricted	(21,252)	(22,874)	6,005	(38,121)	(108,889)
Total net position	<u>\$ (21,252)</u>	<u>\$ (22,874)</u>	<u>\$ 6,005</u>	<u>\$ (38,121)</u>	<u>\$ 190,151</u>

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended June 30, 2015**

	Business-Type Activities			Governmental Activities	
	Enterprise Funds				
	Mt. Vernon Conference	Testing	Other Nonmajor Fund - Finger Printing		Total
Operating revenues:					
Charges for services	\$ 38,286	\$ 2,594	\$ 22,846	\$ 63,726	\$ 233,392
Operating expenses:					
Salaries and benefits	6,102	-	12,107	18,209	29,362
Purchased services	22,659	38	11,881	34,578	172,518
Supplies and materials	282	-	45	327	2,236
Pension expense	-	-	2,927	2,927	-
Depreciation	-	-	-	-	19,195
Total operating expenses	29,043	38	26,960	56,041	223,311
Operating income (loss)	9,243	2,556	(4,114)	7,685	10,081
Nonoperating revenues (expenses):					
Interest expense	-	-	-	-	(18,360)
Restoration of impaired capital asset	-	-	-	-	(14,842)
Gain on sale of capital assets	-	-	-	-	30,905
Total nonoperating revenues (expenses)	-	-	-	-	(2,297)
Income (loss) before transfers	9,243	2,556	(4,114)	7,685	7,784
Transfers out	-	-	-	-	(17,663)
Change in net position	9,243	2,556	(4,114)	7,685	(9,879)
Net position - beginning of year, restated (see note 21)	(30,495)	(25,430)	10,119	(45,806)	200,030
Net position - end of year	\$ (21,252)	\$ (22,874)	\$ 6,005	\$ (38,121)	\$ 190,151

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended June 30, 2015**

	Business-Type Activities				Governmental Activities
	Enterprise Funds				
	Mt. Vernon Conference	Testing	Other Nonmajor Fund - Finger Printing	Total	
Cash flows from operating activities:					
Collection of fees	\$ 38,286	\$ 4,246	\$ 22,811	\$ 65,343	\$ 234,999
Payments to suppliers and providers of goods and services	(22,941)	(2,043)	(9,961)	(34,945)	(170,417)
Payments to employees	(6,102)	-	(13,980)	(20,082)	(44,076)
Net cash provided (used) by operating activities	<u>9,243</u>	<u>2,203</u>	<u>(1,130)</u>	<u>10,316</u>	<u>20,506</u>
Cash flows from noncapital financing activities:					
Receipts (payments) from (for) interfund borrowings, net	(9,243)	(2,203)	7,987	(3,459)	64,994
Transfers out	-	-	-	-	(17,663)
Net cash provided (used) by noncapital financing activities	<u>(9,243)</u>	<u>(2,203)</u>	<u>7,987</u>	<u>(3,459)</u>	<u>47,331</u>
Cash flows from capital and related financing activities:					
Proceeds from the sale of a capital asset	-	-	-	-	69,963
Restoration of impaired capital asset	-	-	-	-	(14,842)
Principal paid on capital debt	-	-	-	-	(90,885)
Interest paid on capital debt	-	-	-	-	(18,360)
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,124)</u>
Net increase in cash and cash equivalents	-	-	6,857	6,857	13,713
Cash and cash equivalents - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,857</u>	<u>\$ 6,857</u>	<u>\$ 13,713</u>

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**STATEMENT OF CASH FLOWS (Concluded)
PROPRIETARY FUNDS
For the year ended June 30, 2015**

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	Mt. Vernon Conference	Testing	Other Nonmajor Fund - Finger Printing	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 9,243	\$ 2,556	\$ (4,114)	\$ 7,685	\$ 10,081
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	-	-	19,195
(Increase) decrease in assets:					
Accounts receivable	-	-	(35)	(35)	(819)
Due from other governments	-	1,652	-	1,652	2,426
Net pension asset	-	-	1,467	1,467	
Increase in deferred outflows of resources:					
Deferred outflows related to pensions	-	-	(1,392)	(1,392)	-
Increase (decrease) in liabilities:					
Accounts payable	-	(2,005)	1,965	(40)	4,337
Accrued salaries and benefits	-	-	-	-	(14,714)
Net pension liability	-	-	979	979	-
Net cash provided (used) by operating activities	<u>\$ 9,243</u>	<u>\$ 2,203</u>	<u>\$ (1,130)</u>	<u>\$ 10,316</u>	<u>\$ 20,506</u>

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 14,762
Due from other governments	<u>86,152</u>
Total assets	<u><u>\$ 100,914</u></u>
LIABILITIES	
Due to other governments	<u>\$ 100,914</u>
Total liabilities	<u><u>\$ 100,914</u></u>

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

NOTES TO FINANCIAL STATEMENTS

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Regional Office of Education No. 25's accounting policies conform to generally accepted accounting principles which are appropriate to local governmental units of this type.

A. Reporting Entity

The Regional Office of Education No. 25 was created by Illinois Public Act 76-735, as amended, effective August 8, 1995. The region encompasses Hamilton and Jefferson counties.

The Regional Superintendent of Schools is the chief administrative officer of the region and is elected to the position for a four-year term. The Regional Superintendent is responsible for the supervision and control of the school districts.

The Regional Superintendent's responsibilities for administering the school educational service region programs include, but are not limited to, providing directions to teachers and school officials on science, art and teaching methods; implementing the State Board of Education's Policy Programs; encouraging camaraderie among teachers through the teachers' institute; making public notice of unfilled teaching positions within the region; and ensuring the safety, health and welfare of the students in the region by periodically inspecting the school buildings and ensuring that the bus drivers have valid driving licenses and are properly trained to operate the school buses. The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for the districts in the region, or seeing 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 Office of Education No. 25 derives its oversight power and authority over the school districts from the School Code and is responsible for its own fiscal and budgetary matters.

The Regional Office of Education No. 25 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the Regional Office of Education No. 25's geographic responsibility, including joint agreements which serve pupils from numerous school districts, should be included within its financial entity. The criteria include but are not limited to, whether the Regional Office of Education No. 25 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 Hamilton-Jefferson Educational Services Cooperative, which began operations on November 23, 1992, has been determined to be a blended component unit of the Regional Office of Education No. 25 for financial reporting purposes after applying the criteria of oversight, scope of public services, and special financing relationships and is therefore blended in the accompanying financial statements. The cooperative was formed by an intergovernmental agreement between the Regional Office of Education No. 25 and all schools, both public and nonpublic, in Hamilton and Jefferson counties. The cooperative is governed by a board of 8 voting members who are district superintendents in the Region and the Regional Superintendent, who is a non-voting member.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The cooperative exists to provide quality programs and services to students through the school districts of Hamilton and Jefferson counties or the Regional Superintendent. The Regional Superintendent of Schools of Hamilton and Jefferson counties serves as administrative agent. Separate financial statements are not issued for this blended component unit.

No other agencies have met the component unit criteria to be included in the Regional Office of Education No. 25's financial statements. In addition, the Regional Office of Education No. 25 is not aware of any entity that would exercise such oversight as to result in the Regional Office of Education No. 25 being considered a component unit of the entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. An exception to this general rule relates to interfund services provided by the internal service funds. Elimination of these charges would distort the direct costs reported for the various functions concerned. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position includes all of the Regional Office of Education No. 25's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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 major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

Certain eliminations have been made as prescribed by governmental accounting standards 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 the proprietary fund Statement of Net Position, and as transfers in/out on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and on the proprietary fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated on the government-wide financial statements. All internal balances in the Statement of Net Position have been eliminated.

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.

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.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues from exchange transactions are recognized when they are earned, and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become 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. The Regional Office of Education No. 25 considers revenues to be available if they are collectible within 60 days after year-end. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable, with the exception of expenditures for prepaid expenses and other long-term obligations, which are recognized as liabilities when due, as well as expenditures related to compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Revenues susceptible to accrual are recognized in the current fiscal period. Those revenues include local sources, State sources, federal sources, and interest. Unearned revenues arise when potential revenue does not meet both the measurable and available criteria or when resources are received prior to the government having legal claim to them. The revenues are subsequently recognized when both recognition criteria are met or when the government has legal claim to the resources. Revenue received after the Regional Office's availability period is reported as deferred inflows of resources - unavailable revenue in the fund statements and is reported as current revenue in the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Regional Office of Education No. 25's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

It is the Regional Office of Education No. 25's policy to first apply restricted resources when an expenditure or expense is incurred for which restricted and unrestricted resources are available. For unrestricted fund balances, committed fund balances are used first, then assigned fund balances, then unassigned, if any.

1. Governmental Funds

The Regional Office of Education No. 25 reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Regional Office of Education No. 25 and is used to account for all financial resources except those required to be accounted for and reported in another fund. This fund is available to pay general and administrative expenditures. Included in this fund are:

University College Classes - This fund provides the opportunity for teachers and administrators to earn graduate credit through participation in weekend classes in programs leading to advanced degrees. Programs currently offered include a Master's Degree in Educational Administration and a Master's or Specialist Degree in School Administration from EIU.

State Aid - This program accounts for aid provided by the state based on the students that attend the Alternative School and Safe School programs.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

1. Governmental Funds (Continued)

General Fund (Continued)

Special Projects - This fund accounts for the special events sponsored by the Regional Office of Education such as spelling bees, scholar bowl events, Teamquest, and other special events for students.

Office Operations - This fund accounts for the shared expenses incurred in the operation of the Regional Superintendent's office by Hamilton and Jefferson counties.

Parapro - This fund accounts for money paid to the Regional Office of Education by teacher aides for administering and scoring paraprofessional exams.

Southern Thirty - This is an educational program for the Southern Thirty Adolescent Center.

Hamilton-Jefferson Educational Services Cooperative - This fund accounts for the Regional Office of Education's operating accounts.

School Improvement - This fund accounts for a cooperative program that administers school improvement activities.

Education Fund - This Special Revenue 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:

ROE/ISC Technology - This program provides support and technical assistance to the Regional Office of Education and the Area 6 schools.

Illinois Violence Prevention Authority - This program is a fiscal agent for the 2nd Judicial Circuits Local Family Violence Coordinators Council and supports their efforts.

ROE/ISC Operations - This fund accounts for comprehensive services to improve education in the region in the areas of staff development, administrator academies, school improvement, and technology.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

1. Governmental Funds (Continued)

Education Fund (Continued)

Regional Safe Schools - This program provides educational options for students that have been chronically suspended or are eligible for expulsion.

Truants Alternative and Optional Education - This program provides services for students that are truant, chronic truant, dropouts, and potential dropouts and provides options to regular school attendance (Alternative Schools) and/or attendance worker intervention designed to improve student attendance at school and prevent students from dropping out of school.

Early Childhood Block Grant (3705-00) - This program serves children ages 3-5 (not age eligible for kindergarten) who are determined by a screening process to be at risk of academic failure. Focus is on the Illinois Early Learning Standards.

McKinney Education for Homeless Children - This program provides training and technical assistance to school districts to help assist school officials in understanding and complying with the McKinney-Vento Act.

System of Support - This program is designed to provide assistance to those schools/school districts that do not meet Adequate Yearly Progress (AYP) as defined by the No Child Left Behind Act and to provide foundational services to the lower performing schools.

Title II - Teacher Quality - This program provides support for schools to purchase evaluation training for teachers and administrators through "Growth Through Learning Illinois." This program accounts for the Title II - Teacher Quality - Leadership Grant and Title II - Teacher Quality Grant.

Institute - This Special Revenue Fund accounts for teacher license registration and expenses of meetings of a professional nature. All funds generated remain restricted until expended on providing professional development for school personnel.

Additionally, the Regional Office of Education No. 25 reports the following nonmajor governmental funds:

Nonmajor Special Revenue Funds - Nonmajor Special Revenue Funds are used to account and report the proceeds of specific revenue sources that are legally restricted or committed for specified purposes other than debt service or capital projects. Included among these funds are:

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

1. Governmental Funds (Continued)

Nonmajor Special Revenue Funds (Continued)

General Education Development - This fund accounts for the receipts and expenses pertaining to the G.E.D./High School Equivalency program for high school dropouts and other tests offered by the Pearson VUE Testing Center.

Bus Driver Training - This fund accounts for state and local receipts and expenses as a result of training school district bus drivers.

2. Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes.

The Regional Office of Education No. 25 reports the following major enterprise funds:

Mt. Vernon Conference - This fund accounts for the one-day statewide teacher's conference that provides exhibit booths and presentations on various curriculum and interest areas for participants representing all areas and grade levels.

Testing - This fund provides materials for and results from administering standardized achievement tests, cognitive skills tests, and local assessments to the schools within the region.

The Regional Office of Education No. 25 reports the following nonmajor enterprise fund:

Finger Printing - This program is used to provide finger printing through FIRM Systems for schools, local businesses, and other individuals needing to obtain electronic finger prints for a variety of reasons.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

2. Proprietary Funds (Continued)

Internal Service Funds - Internal service funds are used to account for activities that provide goods or services to other funds on a cost-reimbursement basis.

The Regional Office of Education No. 25 reports the following internal service funds:

Employee Benefits - This fund is utilized to account for the payment of health insurance premiums, workers' compensation premiums, and all State and federal unemployment taxes on behalf of all programs, as well as any other incurred employment liabilities.

Transportation Reimbursement - The use of vehicles for the Alternative Learning Center programs is accounted for in this fund.

Building - The rent and maintenance on the buildings used by the Regional Office of Education No. 25 is accounted for in this fund.

3. Fiduciary Funds

Fiduciary Funds - Fiduciary funds are used to account for assets held by the Regional Office of Education No. 25 in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Regional Office of Education No. 25 reports the following fiduciary funds:

Rend Lake Regional Delivery System - This fund receives funds from the Illinois State Board of Education and forwards them to Rend Lake Regional Delivery System.

Clearing - This fund receives and pays fees for any petitions to annex in the district.

Regional Vocational Board - This fund supports facilitation, administration, and coordination for the Carl D. Perkins Vocational and Applied Technology Grant and the Career and Technical Education Improvement Grant.

Hamilton County 1% Sales Tax - Regional Office of Education No. 25 was the fiscal agent for the Hamilton County 1% Sales Tax Fund for Hamilton County. Monies received were transferred electronically to each of the Hamilton County school districts based on student enrollment.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Fund Balance

1. Deposits and Investments

The Regional Office of Education No. 25 considers cash on hand, checking accounts, savings accounts, and money market accounts to be cash and cash equivalents. State regulations require that Regional Office of Education No. 25 deposit funds under its control into accounts insured by the federal government, accounts secured by substantial collateral or pooled investment trusts. All funds not needed for immediate disbursement are maintained in interest bearing accounts.

Statutes authorize the Regional Office of Education No. 25 to make deposits or invest in obligations of states and their political subdivisions, savings accounts, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Money Market Fund.

2. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” in the fund financial statements. Balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

3. Capital Assets

Capital assets are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of donation.

Improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Fund Balance (Continued)

3. Capital Assets (Continued)

Assets	Years
Buildings and building improvements	15-30
Office equipment and furniture	5-10
Computer equipment	3-5
Other equipment	5-20
Vehicles	5

In the fund financial statements, capital assets used in governmental operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

4. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred 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/fund balance 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 measureable, 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 in the governmental fund financial statements consist of receivables not collected within sixty days after the 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.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Fund Balance (Continued)

5. Compensated Absences

Non-certified and certified employees who work 12 calendar months earn up to 10 vacation days and 2 personal days for a full year of service. Unused vacation days will not be carried over. Any unused personal days will be carried over as accumulated sick leave. In the event that a program terminates, no vacation days will be honored past the ending date of the program. Certified employees who work less than 12 calendar months per year do not earn vacation days.

Employees receive up to 12 sick days annually and the unused portion is accumulated up to 180 days and carried forward. Employee sick leave is recorded when paid. Upon termination, employees do not receive any accumulated sick leave pay; therefore, no liability is accrued.

6. Equity Classifications

Government-wide Statements

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 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 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.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in a Governmental Fund. The following types of fund balances may be presented in the Governmental Funds Balance Sheet and Governmental Funds Combining Schedule of Accounts:

Nonspendable Fund Balance - the portion of a Governmental Fund's fund balance that is not available to be spent, either short term or long term, in either form or through legal restrictions. There are no funds presenting a nonspendable fund balance.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Fund Balance (Continued)

6. Equity Classifications (Continued)

Fund Statements (Continued)

Restricted Fund Balance - the portion of a Governmental Fund's fund balance that is subject to external enforceable legal restrictions. The following accounts' fund balances are restricted by grant agreements or contracts: ROE/ISC Technology, Illinois Violence Prevention Authority, ROE/ISC Operations, and Truants Alternative and Optional Education. The following funds are restricted by Illinois Statute: Institute, General Education Development and Bus Driver Training.

Committed Fund Balance - the portion of a Governmental Fund's fund balance with self-imposed constraints or limitations that have been placed at the highest level of decision making. There are no accounts presenting a committed fund balance.

Assigned Fund Balance - the portion of a Governmental Fund's fund balance to denote an intended use of resources. The accounts with assigned fund balances are specified for a particular purpose by the Regional Superintendent. There are no funds presenting an assigned fund balance.

Unassigned Fund Balance - available expendable financial resources in a Governmental Fund that are not designated for a specific purpose. The unassigned fund balance is comprised of the following: University College Classes, State Aid, Special Projects, Office Operations, Parapro, Southern Thirty, Hamilton-Jefferson Educational Services Cooperative, School Improvement, and System of Support.

E. New Accounting Pronouncements

In 2015, the Regional Office of Education No. 25 implemented Governmental Accounting Standards Board (GASB) Statement No. 69 – *Government Combinations and Disposals of Government Operations*. This Statement had no impact on the financial statements of the Regional Office of Education No. 25. The Regional Office of Education also implemented GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These Statements improve accounting and financial reporting by the Regional Office for pensions by including pension related balances and activity on the Statement of Net Position and the Statement of Activities.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

2. BUDGETS AND BUDGETARY ACCOUNTING

The Regional Office of Education No. 25 was not legally required to adopt annual budgets for all funds under its control, and some annual budgets prepared were not based upon the same operating period. Therefore, budgetary reports comparing budgeted to actual expenditures are not presented.

Budgets relating to programs funded by grants from the Illinois State Board of Education are prepared and submitted to the State Board as part of the grant awards process. The State Board must also approve amendments to these budgets. Grant project budgets are based on the award period. Budgetary Comparison Schedules have been presented for the following grants: ROE/ISC Operations, Regional Safe Schools, Truants Alternative/Optional Education, Title II - Teacher Quality, and Title II - Teacher Quality - Leadership Grant.

3. USE OF 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.

4. DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2015, the carrying amount of the Regional Office of Education No. 25's governmental activities, business-type activities, and agency fund deposits were \$64,384, \$6,857, and \$14,762 respectively. The combined bank balances totaled \$127,405, all of which was secured by federal depository insurance, and were, therefore, not exposed to custodial credit risk.

B. Investments

At June 30, 2015, the carrying amount of the Regional Office of Education No. 25's deposits in the Illinois Funds Money Market Fund for the governmental activities was \$2,392. The combined bank balance invested in the Illinois Funds Money Market Fund was \$2,392. These deposits are included in cash and cash equivalents in the Regional Office of Education No. 25's governmental activities.

The Illinois Funds Money Market Fund investments are fully collateralized and not subject to credit risk. This fund enables custodians of public funds an investment option with a competitive rate of return on fully collateralized investments and immediate access to the funds. Although not subject to direct regulatory oversight, the investment pool is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235. The investment policy of the Illinois Funds states that, unless authorized specifically by the Treasurer, a minimum of 75% of its investments shall have less than one-year maturity and no investment shall exceed two years maturity. The policy also limits investment categories to 25% of the portfolio, with the exception of cash equivalents and U.S. Treasury securities, unless specifically authorized by the Treasurer. Further, certificates of deposit cannot exceed 10% of any single financial institution's total deposits. The Illinois Funds received Standard & Poor's highest rating.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 91,500	\$ -	\$ -	\$ 91,500
Capital assets being depreciated:				
Buildings and building improvements	945,479	-	(86,000)	859,479
Vehicles	47,746	-	-	47,746
Office equipment and furniture	435	-	-	435
Computer equipment	46,340	-	-	46,340
Other equipment	138,243	-	-	138,243
Total capital assets being depreciated	<u>1,178,243</u>	<u>-</u>	<u>(86,000)</u>	<u>1,092,243</u>
Less accumulated depreciation for:				
Buildings and building improvements	(382,334)	(18,372)	46,942	(353,764)
Vehicles	(46,299)	-	-	(46,299)
Office equipment and furniture	(435)	-	-	(435)
Computer equipment	(43,108)	(1,493)	-	(44,601)
Other equipment	<u>(109,116)</u>	<u>(4,514)</u>	<u>-</u>	<u>(113,630)</u>
Total accumulated depreciation	<u>(581,292)</u>	<u>(24,379)</u>	<u>46,942</u>	<u>(558,729)</u>
 Total capital assets being depreciated, net	 <u>596,951</u>	 <u>(24,379)</u>	 <u>(39,058)</u>	 <u>533,514</u>
 Governmental activities capital assets, net	 <u>\$ 688,451</u>	 <u>\$ (24,379)</u>	 <u>\$ (39,058)</u>	 <u>\$ 625,014</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets being depreciated:				
Computer equipment	\$ 12,785	\$ -	\$ -	\$ 12,785
Less accumulated depreciation for:				
Computer equipment	<u>(12,785)</u>	<u>-</u>	<u>-</u>	<u>(12,785)</u>
 Business-type activities capital assets, net	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

Depreciation expense was charged to functions/programs of the Regional Office of Education No. 25 as follows:

Governmental activities:	
Instructional services	<u>\$ 24,379</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

6. LINE OF CREDIT

On November 14, 2013, the Regional Office of Education No. 25 established an unsecured \$250,000 line of credit at US Bank in order to cover payroll and other operating expenses prior to receiving funds for various programs. The line of credit bears a rate of interest of 1.2% plus the one-month LIBOR rate in effect two New York Banking Days prior to the first day of each month, the Reprice Date. The line of credit was reduced to \$200,000 and extended on June 30, 2015. The credit agreement expires and the principal amount is due September 30, 2015. Activity on the line of credit was as follows:

	Balance June 30, 2014	Advances	Payments	Balance June 30, 2015
Line of credit	\$ -	\$ 200,000	\$ 12	\$ 199,988

Interest expense for the year ended June 30, 2015 was \$2,474.

7. LONG-TERM DEBT

The Regional Office of Education No. 25 had the following loan at June 30, 2015:

Governmental activities:

Loan from Community First Bank of the Heartland dated October 7, 2011 in the amount of \$467,852 to finance the administrative building and the Alternative School building loan. It is payable in monthly installments of \$3,273 with a maturity date of October 7, 2031. The loan includes interest of 5.625% and is secured by the related real estate.

\$ 300,972

Debt service requirements to maturity for governmental activities are as follows:

Years ending June 30,	Principal	Interest	Total
2016	\$ 23,104	\$ 16,177	\$ 39,281
2017	24,270	15,011	39,281
2018	25,671	13,610	39,281
2019	27,153	12,128	39,281
2020	28,721	10,560	39,281
2021-2025	170,469	25,936	196,405
2026-2032	1,584	7	1,591
	<u>\$ 300,972</u>	<u>\$ 93,429</u>	<u>\$ 394,401</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

8. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the Regional Office of Education for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Governmental activities:					
Notes payable	\$ 391,857	\$ -	\$ 90,885	\$ 300,972	\$ 23,104

9. RETIREMENT FUND COMMITMENTS

A. Teachers' Retirement System of the State of Illinois

Plan Description

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

TRS issues a publicly available financial report that can be obtained at <http://trs.illinois.gov/pubs/cafr>; by writing to TRS at 2815 W. Washington, 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 system service prior to January 1, 2011. Tier I members qualify for retirement benefits at age 62 with five years of service, at age 60 with 10 years, or age 55 with 20 years. The benefit is determined by the average of the four highest years of creditable earnings within the last 10 years of creditable service and the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2 percent of final average salary up to a maximum of 75 percent with 34 years of service. Disability and death benefits are also provided.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

9. RETIREMENT FUND COMMITMENTS (Continued)

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

Benefits Provided (Continued)

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

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

Contributions

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

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2015, was 9.4 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the Regional Office of Education No. 25.

On behalf contributions to TRS - The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education No. 25. For the year ended June 30, 2015, State of Illinois contributions recognized by the Regional Office of Education No. 25 were based on the State's proportionate share of the collective net pension liability associated with the Regional Office of Education No. 25, and the Regional Office of Education No. 25 recognized revenue and expenditures of \$297,258 in pension contributions from the State of Illinois.

2.2 formula contributions - Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2015, were \$3,300, and are deferred because they were paid after the June 30, 2014 measurement date.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

9. RETIREMENT FUND COMMITMENTS (Continued)

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

Contributions (Continued)

Federal and special trust fund contributions - When TRS members are paid from federal and special trust funds administered by the Regional Office of Education No. 25, there is a statutory requirement for the Regional Office of Education No. 25 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the State contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2015, the employer pension contribution was 33.00 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2015, salaries totaling \$10,934 were paid from federal and special trust funds that required employer contributions of \$3,642. These contributions are deferred because they were paid after the June 30, 2014 measurement date.

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 No. 25 is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the current program is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2015, the Regional Office of Education No. 25 paid no employer ERO contributions to TRS.

The Regional Office of Education No. 25 is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2015, the employer paid \$9,476 to TRS for employer contributions due on salary increases in excess of 6 percent and made no payments for sick leave days granted in excess of the normal annual allotment.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

9. RETIREMENT FUND COMMITMENTS (Continued)

A. 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

At June 30, 2015, the Regional Office of Education No. 25 reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for State pension support provided to the employer. The State's support and total are for disclosure purposes only. The amount recognized by the employer as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the employer were as follows:

Employer's proportionate share of the net pension liability	\$ 137,409
State's proportionate share of the net pension liability associated with the employer	<u>3,692,154</u>
	<u>\$ 3,829,563</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 No. 25'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 employer's proportion was 0.0002257860 percent.

The net pension liability as of the beginning of this first measurement period under GASB Statement No. 68 was measured as of June 30, 2013, and the total pension liability was based on the June 30, 2013, actuarial valuation without any roll-up. The Regional Office of Education No. 25's proportion of the net pension liability as of June 30, 2013, was based on the Regional Office of Education No. 25'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 employer's proportion was 0.0007849443 percent.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

9. RETIREMENT FUND COMMITMENTS (Continued)

A. 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 (Continued)

For the year ended June 30, 2015, the Regional Office of Education No. 25 recognized pension expense of \$297,258 and revenue of \$297,258 for support provided by the State. For the year ended June 30, 2015, the Regional Office of Education No. 25 recognized pension benefit of \$57,575. At June 30, 2015, the Regional Office of Education No. 25 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences between expected and actual experience	\$ 73	\$ -
Net difference between projected and actual earnings on pension plan investments	-	6,906
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	281,888
	<hr/>	<hr/>
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	73	288,794
Pension Contributions Made Subsequent to the Measurement Date		
	6,942	-
	<hr/>	<hr/>
Total Deferred Amounts Related to Pensions	<u>\$ 7,015</u>	<u>\$ 288,794</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

9. RETIREMENT FUND COMMITMENTS (Continued)

A. 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 (Continued)

\$6,942 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 ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,:	Net Deferred Inflows of Resources
2016	\$ 70,128
2017	70,128
2018	70,128
2019	70,128
2020	8,209
	\$ 288,721

Actuarial Assumptions

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

Inflation	3.00%
Salary increases	5.75%, average, including inflation
Investment rate of return	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.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

9. RETIREMENT FUND COMMITMENTS (Continued)

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

Actuarial Assumptions (Continued)

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

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

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

9. RETIREMENT FUND COMMITMENTS (Continued)

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

Discount Rate

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

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

Sensitivity of the Regional Office of Education No. 25's proportionate share of the net pension liability to changes in the discount rate

The following presents the Regional Office of Education No. 25's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Regional Office of Education No. 25's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Lower 6.5%	Current Discount Rate 7.5%	1% Higher 8.5%
Employer's proportionate share of the net pension liability	\$ 169,694	\$ 137,409	\$ 110,674

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*.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

9. RETIREMENT FUND COMMITMENTS (Continued)

B. Illinois Municipal Retirement Fund

IMRF Plan Description

The Regional Office of Education No. 25'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 No. 25's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of an agent 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.

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.

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:

**HAMILTON AND JEFFERSON COUNTIES
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NOTES TO FINANCIAL STATEMENTS

9. RETIREMENT FUND COMMITMENTS (Continued)

B. Illinois Municipal Retirement Fund (Continued)

Benefits Provided (Continued)

- 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:

Retirees and beneficiaries currently receiving benefits	30
Inactive plan members entitled to but not yet receiving benefits	39
Active plan members	<u>13</u>
	<u><u>82</u></u>

Contributions

As set by statute, the Regional Office of Education No. 25'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 No. 25's annual contribution rate for calendar year 2014 was 18.53%. For the calendar year 2014, the Regional Office of Education No. 25 contributed \$69,183 to the plan. The Regional Office of Education No. 25 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 No. 25'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.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

9. RETIREMENT FUND COMMITMENTS (Continued)

B. Illinois Municipal Retirement Fund (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:

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

9. RETIREMENT FUND COMMITMENTS (Continued)

B. Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions (Continued)

<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 - 8.5%
Cash equivalents	1%	2.25%
Total	<u>100%</u>	

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%.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

9. RETIREMENT FUND COMMITMENTS (Continued)

B. Illinois Municipal Retirement Fund (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2013	\$ 2,596,774	\$ 2,637,796	\$ (41,022)
Changes for the year:			
Service cost	36,291	-	36,291
Interest on the total pension liability	190,952	-	190,952
Differences between expected and actual experience of the total pension liability	16,727	-	16,727
Changes in assumptions	103,865	-	103,865
Contributions - employer	-	69,183	(69,183)
Contributions - employees	-	19,545	(19,545)
Net investment income	-	193,242	(193,242)
Benefit payments, including refunds of employee contributions	(137,783)	(137,783)	-
Other (net transfer)	-	(2,550)	2,550
Net changes	<u>210,052</u>	<u>141,637</u>	<u>68,415</u>
Balances at December 31, 2014	<u>\$ 2,806,826</u>	<u>\$ 2,779,433</u>	<u>\$ 27,393</u>

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:

	1% Lower 6.50%	Current Discount Rate 7.50%	1% Higher 8.50%
Net Pension Liability/(Asset)	\$ 305,446	\$ 27,393	\$ (205,601)

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

9. RETIREMENT FUND COMMITMENTS (Continued)

B. Illinois Municipal Retirement Fund (Continued)

Pension Expense and Deferred Outflows of Resources

For the year ended June 30, 2015, the Regional Office of Education No. 25 recognized pension expense of \$81,872. At June 30, 2015, the Regional Office of Education No. 25 reported deferred outflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>
Deferred Amounts to be Recognized in Pension Expense in Future Periods	
Differences between expected and actual experience	\$ 5,099
Changes of assumptions	31,661
Net difference between projected and actual earnings on pension plan investments	<u>2,202</u>
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	38,962
Pension Contributions Made Subsequent to the Measurement Date	<u>25,578</u>
Total Deferred Amounts Related to Pensions	<u><u>\$ 64,540</u></u>

\$25,578 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 ending June 30, 2016. Other amounts reported as deferred outflows of resources and related to pensions will be recognized in pension expense in future periods as follows:

<u>Year Ending December 31,:</u>	<u>Net Deferred Outflows of Resources</u>
2015	\$ 37,312
2016	550
2017	550
2018	<u>550</u>
	<u><u>\$ 38,962</u></u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

9. RETIREMENT FUND COMMITMENTS (Continued)

C. Social Security

Employees not qualifying for coverage under the Illinois Teachers' Retirement System or the Illinois Municipal Retirement Fund are considered "nonparticipating employees". These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under Social Security.

10. OTHER POSTEMPLOYMENT BENEFITS

A. Teacher Health Insurance Security Fund

The Regional Office of Education No. 25 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the state-administered participating provider option plan or choose from several managed care options. Annuitants who were enrolled in Medicare Parts A and B may be eligible to enroll in a Medicare Advantage plan.

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

The percentage of employer required contributions in the future will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

On Behalf Contributions to the THIS Fund

The State of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office of Education No. 25. State contributions are intended to match contributions to the THIS Fund from active members which were 1.02 percent of pay during the year ended June 30, 2015. State of Illinois contributions were \$5,785, and the Regional Office of Education No. 25 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 Regional Office of Education No. 25 employees were \$5,805 and \$6,158, respectively.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Teacher Health Insurance Security Fund (Continued)

Employer Contributions to the THIS Fund

The Regional Office of Education No. 25 also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.76 percent during the year ended June 30, 2015 and 0.72 and 0.69 percent during the years ended June 30, 2014 and June 30, 2013, respectively. For the year ended June 30, 2015, the Regional Office of Education No. 25 paid \$4,311 to the THIS Fund which was 100 percent of the required contribution. For the years ended June 30, 2014 and June 30, 2013, the Regional Office of Education No. 25 paid \$4,309 and \$4,618 to the THIS Fund, respectively, which was 100 percent of the required contribution.

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. Other Postemployment Benefits

The Regional Office of Education No. 25 allows employees, who retire through the Regional Office of Education No. 25's plan disclosed in Note 9B, the option to continue in the Regional Office of Education No. 25's health insurance plan as required by the Illinois Compiled Statutes, but the retiree pays the full premium for the health insurance. This has not created an implicit subsidy as defined by GASB Statement No. 45 (GASB S-45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as the Regional Office of Education No. 25's health insurance plan is considered a community rated plan. In addition, the Regional Office of Education No. 25 has no explicit subsidy as defined in GASB S-45.

11. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2015, interfund receivables and payables were as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 164,612	\$ -
Mt. Vernon Conference	-	21,252
Testing	-	22,874
Internal Service Funds	-	120,486
Totals	<u>\$ 164,612</u>	<u>\$ 164,612</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

11. INTERFUND RECEIVABLES AND PAYABLES (Continued)

At June 30, 2015, amounts receivable to the General Fund consisted of loans to the Mt. Vernon Conference Fund, Testing Fund, and Internal Service Funds to cover cash shortages. These funds utilize the same pooled cash account.

12. BOND

The Illinois School Code (105 ILCS 5/3-2) directs the Regional Office of Education No. 25 to execute a bond of not less than \$100,000 for the Regional Superintendent. The Regional Office of Education No. 25 has secured and maintained such a bond with coverage of \$200,000 on the Regional Superintendent.

13. ON-BEHALF PAYMENTS

The State of Illinois paid the following salaries, benefits, and contributions on-behalf of the Regional Office of Education No. 25:

State of Illinois:	
Regional Superintendent - salary	\$ 100,212
Regional Superintendent - benefits (includes State paid insurance)	27,895
Assistant Regional Superintendent - salary	90,204
Assistant Regional Superintendent - benefits (includes State paid insurance)	25,513
THIS contributions	<u>5,785</u>
	<u><u>\$ 249,609</u></u>

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

The Regional Office of Education No. 25 also recorded \$297,258 (based on figures for the fiscal year ended June 30, 2014) 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 No. 25 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	\$ 249,609
On-behalf payments for the Regional Office of Education's share of TRS pension expense	<u>297,258</u>
Total	<u><u>\$ 546,867</u></u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

14. RISK MANAGEMENT - CLAIMS AND JUDGEMENTS

The Regional Office of Education No. 25 is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation; and natural disasters. The Regional Office of Education No. 25 is covered by commercial insurance to cover these risks of loss. No settlements have exceeded insurance coverage in the current or three previous years.

15. OPERATING LEASE

The Regional Office of Education No. 25 had entered into an annual operating lease through June 30, 2015 for its Alternative Education program. Rent expense for the year ended June 30, 2015 totaled \$52,200. The Regional Office of Education also leases vehicles for student transportation. Lease expenses totaled \$9,000.

16. DUE TO/FROM OTHER GOVERNMENTS

At June 30, 2015, the Regional Office of Education No. 25's General Fund, Education Fund, Internal Service Funds, Agency Funds, and various grant programs had funds due to and from various governmental units which consisted of the following:

Due From Other Governments:

General Fund:

Local Governments	\$ 89,220
Regional Office of Education No. 45	331
Illinois Comptroller	<u>1,481</u>
	91,032

Internal Service Funds:

Local Governments	<u>4,288</u>
	<u>\$ 95,320</u>

Agency Funds:

Illinois Comptroller	<u>\$ 86,152</u>
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**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

16. DUE TO/FROM OTHER GOVERNMENTS (Continued)

Due To Other Governments:		
General Fund:		
First Judicial Circuit of Illinois	\$	1,055
Education Fund:		
Local Governments		2,516
Illinois Criminal Justice Information Authority		103
Regional Office of Education No. 21		489
		3,108
	\$	4,163
Agency Funds:		
Local Governments	\$	100,914

17. CONTINGENCIES

The Regional Office of Education No. 25 has received funding from federal and State grants in the current and prior years which are subject to audits by granting agencies. The Regional Office of Education No. 25 believes any adjustments that may arise will be insignificant to the Regional Office of Education No. 25's operations.

18. SCHEDULE OF TRANSFERS

During the year ended June 30, 2015, the Regional Office of Education reported the following transfers:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 106,941
Education Fund	117,830	-
Nonmajor Special Revenue Funds	6,774	-
Internal Service Funds	-	17,663
Totals	\$ 124,604	\$ 124,604

The transfers were made to cover cash shortfalls for funds with cash pooled within the same bank account.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

NOTES TO FINANCIAL STATEMENTS

19. DEFICIT FUND BALANCES/NET POSITION

The following individual funds carried the following deficit balances as of June 30, 2015:

Mt. Vernon Conference	\$ 21,252
Testing	22,874
Special Projects	21,334
Office Operations	31,874
Hamilton-Jefferson Educational Services Cooperative	9,534
School Improvement	569
System of Support	489
Transportation Reimbursement	59,559

The Regional Office of Education No. 25 will disband on July 1, 2015 as described in Note 20. These deficit balances will be transferred to the Regional Office that absorbs the fund.

20. SUBSEQUENT EVENTS

On November 22, 2013, the Illinois State Board of Education adopted a motion pursuant to its obligation under 105 ILCS 5/3A-4(a), which recognizes consolidations agreed to via county board resolutions prior to June 30, 2013. Effective July 1, 2015, the Regional Office of Education No. 25 will disband and Hamilton County will consolidate with Regional Office of Education No. 20. Jefferson County will consolidate with Regional Office of Education No. 13.

21. CHANGE IN ACCOUNTING PRINCIPLE

The Regional Office of Education No. 25 has restated net position of the governmental activities, business-type activities, nonmajor enterprise fund, and Internal Service Funds as of June 30, 2014. The governmental activities' net position was restated to remove a net pension obligation liability and to present a net pension asset, net pension liability, and the related deferred outflows of resources in accordance with Governmental Accounting Standards Board Statements (GASBS) No. 68 and No. 71. The business-type activities' and nonmajor enterprise fund's net positions were restated to present a net pension asset and the related deferred outflows of resources in accordance with GASBS No. 68 and No. 71. The Internal Service Funds' net position was restated to remove a net pension obligation liability in accordance with GASBS No. 68.

	Governmental Activities	Business- Type Activities	Nonmajor Enterprise Fund	Internal Service Funds
Net position at June 30, 2014	\$ 254,384	\$ (48,188)	\$ 7,737	\$ 176,580
Remove net pension obligation liability	23,450	-	-	23,450
Recognition of pension asset	39,555	1,467	1,467	-
Recognition of pension liability	(491,761)	-	-	-
Recognition of deferred outflows of resources related to pensions	32,733	915	915	-
Net position, restated at June 30, 2014	<u>\$ (141,639)</u>	<u>\$ (45,806)</u>	<u>\$ 10,119</u>	<u>\$ 200,030</u>

REQUIRED SUPPLEMENTARY INFORMATION

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**ILLINOIS MUNICIPAL RETIREMENT FUND -
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
(UNAUDITED)**

For the year ended June 30, 2015

(Amounts presented are for the year ended December 31, 2014)

Total Pension Liability	
Service cost	\$ 36,291
Interest on the total pension liability	190,952
Differences between expected and actual experience of the total pension liability	16,727
Changes of assumptions	103,865
Benefit payments, including refunds of employee contributions	<u>(137,783)</u>
Net change in total pension liability	210,052
Total pension liability - beginning	<u>2,596,774</u>
Total pension liability - ending (A)	<u>\$ 2,806,826</u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 69,183
Contributions - employees	19,545
Net investment income	193,242
Benefit payments, including refunds of employee contributions	(137,783)
Other (net transfer)	<u>(2,550)</u>
Net change in plan fiduciary net position	141,637
Plan fiduciary net position - beginning	<u>2,637,796</u>
Plan fiduciary net position - ending (B)	<u>2,779,433</u>
Net pension liability - ending (A) - (B)	<u>\$ 27,393</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.02%
Covered Valuation Payroll	\$ 282,887
Net Pension Liability as a Percentage of Covered Valuation Payroll	9.68%

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.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**ILLINOIS MUNICIPAL RETIREMENT FUND -
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(UNAUDITED)**

For the year ended June 30, 2015

(Amounts presented are for the year ended December 31, 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	\$ 50,665	\$ 69,183	\$ (18,518)	\$ 282,887	24.46%

Notes to Schedule:

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

Valuation Date:

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:

Actuarial Cost Method:	Aggregate entry age = normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	29-year closed period
Asset Valuation Method:	5-year smoothed market; 20% corridor
Wage Growth:	4%
Price Inflation:	3%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	4.40% to 16%, including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
Mortality:	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:

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.

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF ILLINOIS -
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
(UNAUDITED)**

**For the year ended June 30, 2015
(Amounts presented are for the year ended June 30, 2014)**

Employer's proportion of the net pension liability		0.0002257860%
Employer's proportionate share of the net pension liability	\$	137,409
State's proportionate share of the net pension liability associated with the employer		3,692,154
Total	\$	3,829,563
Employer's covered-employee payroll	\$	657,848
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll		21%
Plan fiduciary net position as a percentage of the total pension liability		43%

Notes to Schedule:

Changes of assumptions

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

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF ILLINOIS -
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(UNAUDITED)**

For the year ended June 30,

	2015	2014
Contractually-required contribution	\$ 6,898	\$ 8,675
Contributions in relation to the contractually-required contribution	6,942	8,698
Contribution deficiency (excess)	\$ (44)	\$ (23)
Employer's covered-employee payroll	\$ 567,202	\$ 657,848
Contributions as a percentage of covered-employee payroll	1.2%	1.3%

SUPPLEMENTARY INFORMATION

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2015**

	University College Classes	State Aid	Special Projects	Office Operations
ASSETS				
Cash and cash equivalents	\$ 1,784	\$ 4,043	\$ -	\$ 1,221
Accounts receivable	-	-	-	25
Due from other funds	-	-	-	165,061
Due from other governments	-	1,481	-	4,814
Total assets	\$ 1,784	\$ 5,524	\$ -	\$ 171,121
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 4,475	\$ -	\$ 1,952
Operating line of credit	-	-	-	199,988
Due to other funds	-	-	21,334	-
Due to other governments	-	-	-	1,055
Total liabilities	-	4,475	21,334	202,995
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
FUND BALANCES				
Unassigned	1,784	1,049	(21,334)	(31,874)
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,784	\$ 5,524	\$ -	\$ 171,121

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF ACCOUNTS (Continued)
GENERAL FUND
June 30, 2015**

	Parapro	Southern Thirty	Hamilton- Jefferson Educational Services Cooperative
ASSETS			
Cash and cash equivalents	\$ 755	\$ 3,650	\$ -
Accounts receivable	-	-	-
Due from other funds	-	30,419	-
Due from other governments	-	84,406	-
	<u>\$ 755</u>	<u>\$ 118,475</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 1,339	\$ -
Operating line of credit	-	-	-
Due to other funds	-	-	9,534
Due to other governments	-	-	-
	<u>-</u>	<u>1,339</u>	<u>9,534</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	52,960	-
	<u>-</u>	<u>52,960</u>	<u>-</u>
FUND BALANCES			
Unassigned	755	64,176	(9,534)
	<u>755</u>	<u>64,176</u>	<u>(9,534)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 755</u>	<u>\$ 118,475</u>	<u>\$ -</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF ACCOUNTS (Concluded)
GENERAL FUND
June 30, 2015**

	School Improvement	Eliminations	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 11,453
Accounts receivable	-	-	25
Due from other funds	-	(30,868)	164,612
Due from other governments	331	-	91,032
Total assets	\$ 331	\$ (30,868)	\$ 267,122
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 900	\$ -	\$ 8,666
Operating line of credit	-	-	199,988
Due to other funds	-	(30,868)	-
Due to other governments	-	-	1,055
Total liabilities	900	(30,868)	209,709
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	52,960
FUND BALANCES			
Unassigned	(569)	-	4,453
Total liabilities, deferred inflows of resources, and fund balances	\$ 331	\$ (30,868)	\$ 267,122

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
For the year ended June 30, 2015**

	University College Classes	State Aid	Special Projects	Office Operations
Revenues:				
Local sources	\$ -	\$ 10,713	\$ 10,670	\$ 56,427
State sources	-	280,568	-	-
On-behalf payments	-	-	-	249,609
Interest	1	-	-	227
Total revenues	1	291,281	10,670	306,263
Expenditures:				
Salaries and benefits	-	207,018	-	33,525
Purchased services	10	23,116	8,138	29,351
Supplies and materials	-	4,458	1,047	634
Pension expense	-	10,378	-	4,080
On-behalf payments	-	-	-	249,609
Debt service:				
Interest	-	-	-	2,474
Total expenditures	10	244,970	9,185	319,673
Excess (deficiency) of revenues over (under) expenditures	(9)	46,311	1,485	(13,410)
Other financing sources (uses):				
Transfers in	-	157,028	307	-
Transfers out	(14,669)	-	-	(244,819)
Total other financing sources (uses)	(14,669)	157,028	307	(244,819)
Net change in fund balances	(14,678)	203,339	1,792	(258,229)
Fund balances (deficits), beginning of year	16,462	(202,290)	(23,126)	226,355
Fund balances (deficits), end of year	\$ 1,784	\$ 1,049	\$ (21,334)	\$ (31,874)

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (Continued)
GENERAL FUND ACCOUNTS
For the year ended June 30, 2015**

	<u>Parapro</u>	<u>Southern Thirty</u>	<u>Hamilton- Jefferson Educational Services Cooperative</u>
Revenues:			
Local sources	\$ 1,630	\$ 118,299	\$ 1,675
State sources	-	-	-
On-behalf payments	-	-	-
Interest	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	<u>1,630</u>	<u>118,299</u>	<u>1,675</u>
Expenditures:			
Salaries and benefits	-	122,029	-
Purchased services	1,250	4,871	-
Supplies and materials	-	348	-
Pension expense	-	4,295	-
On-behalf payments	-	-	-
Debt service:			
Interest	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	<u>1,250</u>	<u>131,543</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>380</u>	<u>(13,244)</u>	<u>1,675</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	(7,527)	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	<u>-</u>	<u>(7,527)</u>	<u>-</u>
Net change in fund balances	380	(20,771)	1,675
Fund balances (deficits), beginning of year	<u>375</u>	<u>84,947</u>	<u>(11,209)</u>
Fund balances (deficits), end of year	<u>\$ 755</u>	<u>\$ 64,176</u>	<u>\$ (9,534)</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (Concluded)
GENERAL FUND ACCOUNTS
For the year ended June 30, 2015**

	School Improvement	Eliminations	Total
Revenues:			
Local sources	\$ 1,149	\$ -	\$ 200,563
State sources	-	-	280,568
On-behalf payments	-	-	249,609
Interest	-	-	228
	<hr/>	<hr/>	<hr/>
Total revenues	1,149	-	730,968
	<hr/>	<hr/>	<hr/>
Expenditures:			
Salaries and benefits	-	-	362,572
Purchased services	7,609	-	74,345
Supplies and materials	78	-	6,565
Pension expense	-	-	18,753
On-behalf payments	-	-	249,609
Debt service:			
Interest	-	-	2,474
	<hr/>	<hr/>	<hr/>
Total expenditures	7,687	-	714,318
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	(6,538)	-	16,650
	<hr/>	<hr/>	<hr/>
Other financing sources (uses):			
Transfers in	2,739	(160,074)	-
Transfers out	-	160,074	(106,941)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	2,739	-	(106,941)
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(3,799)	-	(90,291)
	<hr/>	<hr/>	<hr/>
Fund balances (deficits), beginning of year	3,230	-	94,744
	<hr/>	<hr/>	<hr/>
Fund balances (deficits), end of year	\$ (569)	\$ -	\$ 4,453
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2015**

	<u>ROE/ISC Technology</u>	<u>Illinois Violence Prevention Authority</u>	<u>ROE/ISC Operations</u>	<u>Regional Safe Schools</u>
ASSETS				
Cash and cash equivalents	\$ 2,046	\$ 1,880	\$ 45	\$ -
Total assets	<u>\$ 2,046</u>	<u>\$ 1,880</u>	<u>\$ 45</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 44	\$ -
Due to other governments	<u>-</u>	<u>103</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>103</u>	<u>44</u>	<u>-</u>
FUND BALANCES				
Restricted	2,046	1,777	1	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficits)	<u>2,046</u>	<u>1,777</u>	<u>1</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 2,046</u>	<u>\$ 1,880</u>	<u>\$ 45</u>	<u>\$ -</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF ACCOUNTS (Continued)
EDUCATION FUND
June 30, 2015**

	Truants Alternative and Optional Education	Early Childhood Block Grant (3705-00)	McKinney Education for Homeless Children
ASSETS			
Cash and cash equivalents	\$ 4,423	\$ -	\$ -
Total assets	\$ 4,423	\$ -	\$ -
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 10	\$ -	\$ -
Due to other governments	2,516	-	-
Total liabilities	2,526	-	-
FUND BALANCES			
Restricted	1,897	-	-
Unassigned	-	-	-
Total fund balances (deficits)	1,897	-	-
Total liabilities and fund balances	\$ 4,423	\$ -	\$ -

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF ACCOUNTS (Concluded)
EDUCATION FUND
June 30, 2015**

	System of Support	Title II - Teacher Quality	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 8,394
Total assets	\$ -	\$ -	\$ 8,394
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 54
Due to other governments	489	-	3,108
Total liabilities	489	-	3,162
FUND BALANCES			
Restricted	-	-	5,721
Unassigned	(489)	-	(489)
Total fund balances (deficits)	(489)	-	5,232
Total liabilities and fund balances	\$ -	\$ -	\$ 8,394

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
For the year ended June 30, 2015**

	ROE/ISC Technology	Illinois Violence Prevention Authority	ROE/ISC Operations	Regional Safe Schools
Revenues:				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	57,412	-	54,138	45,188
Federal sources	-	-	-	-
Total revenues	57,412	-	54,138	45,188
Expenditures:				
Salaries and benefits	50,475	-	35,136	26,250
Purchased services	-	-	12,389	18,795
Supplies and materials	90	-	3,028	-
Pension expense	6,937	-	3,585	143
Total expenditures	57,502	-	54,138	45,188
Excess (deficiency) of revenues over (under) expenditures	(90)	-	-	-
Other financing sources:				
Transfers in	-	-	-	1,681
Net change in fund balances	(90)	-	-	1,681
Fund balances (deficits), beginning of year	2,136	1,777	1	(1,681)
Fund balances (deficits), end of year	\$ 2,046	\$ 1,777	\$ 1	\$ -

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (Continued)
EDUCATION FUND ACCOUNTS
For the year ended June 30, 2015**

	Truants Alternative and Optional Education	Early Childhood Block Grant (3705-00)	McKinney Education for Homeless Children
Revenues:			
Local sources	\$ -	\$ 95,961	\$ -
State sources	95,387	261,776	-
Federal sources	24,904	-	27,785
	<u>120,291</u>	<u>357,737</u>	<u>27,785</u>
Total revenues			
	<u>120,291</u>	<u>357,737</u>	<u>27,785</u>
Expenditures:			
Salaries and benefits	65,887	332,760	10,351
Purchased services	53,863	14,267	3,782
Supplies and materials	446	1,653	10,846
Pension expense	5,096	17,792	2,806
	<u>125,292</u>	<u>366,472</u>	<u>27,785</u>
Total expenditures			
	<u>125,292</u>	<u>366,472</u>	<u>27,785</u>
Excess (deficiency) of revenues over (under) expenditures	(5,001)	(8,735)	-
Other financing sources:			
Transfers in	4,605	27,214	1,196
	<u>4,605</u>	<u>27,214</u>	<u>1,196</u>
Net change in fund balances	(396)	18,479	1,196
Fund balances (deficits), beginning of year	2,293	(18,479)	(1,196)
	<u>2,293</u>	<u>(18,479)</u>	<u>(1,196)</u>
Fund balances (deficits), end of year	<u>\$ 1,897</u>	<u>\$ -</u>	<u>\$ -</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (Concluded)
EDUCATION FUND ACCOUNTS
For the year ended June 30, 2015**

	System of Support	Title II - Teacher Quality	Total
Revenues:			
Local sources	\$ -	\$ -	\$ 95,961
State sources	-	-	513,901
Federal sources	27,873	2,841	83,403
 Total revenues	 27,873	 2,841	 693,265
Expenditures:			
Salaries and benefits	4,614	-	525,473
Purchased services	21,543	2,805	127,444
Supplies and materials	557	37	16,657
Pension expense	1,159	-	37,518
 Total expenditures	 27,873	 2,842	 707,092
 Excess (deficiency) of revenues over (under) expenditures	 -	 (1)	 (13,827)
Other financing sources:			
Transfers in	83,133	1	117,830
 Net change in fund balances	 83,133	 -	 104,003
Fund balances (deficits), beginning of year	(83,622)	-	(98,771)
Fund balances (deficits), end of year	\$ (489)	\$ -	\$ 5,232

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ROE/ISC OPERATIONS – PROJECT #15-3730-00
For the year ended June 30, 2015**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
State sources	\$ 54,138	\$ 54,138	\$ 54,138
Expenditures:			
Salaries and benefits	36,964	38,724	35,136
Purchased services	16,650	12,179	12,389
Supplies and materials	524	3,235	3,028
Pension expense	-	-	3,585
Total expenditures	54,138	54,138	54,138
Net change in fund balance	\$ -	\$ -	-
Fund balance, beginning of year			1
Fund balance, end of year			\$ 1

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
REGIONAL SAFE SCHOOLS – PROJECT #15-3696-00
For the year ended June 30, 2015**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
State sources	\$ 46,228	\$ 45,188	\$ 45,188
Expenditures:			
Salaries and benefits	26,904	26,393	26,250
Purchased services	19,324	18,795	18,795
Pension expense	-	-	143
Total expenditures	46,228	45,188	45,188
Excess of revenues over expenditures	\$ -	\$ -	-
Other financing source:			
Transfers in			1,681
Net change in fund balance			1,681
Fund deficit, beginning of year			(1,681)
Fund balance, end of year			\$ -

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TRUANTS ALTERNATIVE/OPTIONAL EDUCATION - PROJECT #15-3695-14
For the year ended June 30, 2015**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
State sources	\$ 97,264	\$ 95,076	\$ 95,387
Federal sources	-	-	24,904
	97,264	95,076	120,291
Expenditures:			
Salaries and benefits	66,358	65,199	65,887
Purchased services	29,711	29,538	53,863
Supplies and materials	1,195	339	446
Pension expense	-	-	5,096
	97,264	95,076	125,292
Deficiency of revenues under expenditures	\$ -	\$ -	(5,001)
Other financing source:			
Transfers in			4,605
Net change in fund balance			(396)
Fund balance, beginning of year			2,293
Fund balance, end of year			\$ 1,897

NOTE: Actual column also includes National School Lunch Program revenues of \$13,100 (Project 15-4210-00) and \$2,117 (Project 14-4210-00), School Breakfast Program revenues of \$8,301 (Project 15-4220-00) and \$1,386 (Project 14-4220-00), and State Free Lunch and Breakfast revenue of \$311 (Project 15-3360-00).

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE II - TEACHER QUALITY - PROJECT #15-4932-00
For the year ended June 30, 2015**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Federal sources	\$ 1,104	\$ 1,104	\$ 1,104
Expenditures:			
Purchased services	<u>1,104</u>	<u>1,104</u>	<u>1,104</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund balance, beginning of year			<u>-</u>
Fund balance, end of year			<u>\$ -</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE II - TEACHER QUALITY - LEADERSHIP GRANT - PROJECT #14-4935-02
For the year ended June 30, 2015**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Federal sources	\$ 1,790	\$ 1,790	\$ 200
Expenditures:			
Purchased services	1,700	1,700	200
Supplies and materials	90	90	-
Total expenditures	1,790	1,790	200
Net change in fund balance	\$ -	\$ -	-
Fund balance, beginning of year			-
Fund balance, August 31, 2014			\$ -

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE II - TEACHER QUALITY - LEADERSHIP GRANT - PROJECT #15-4935-02
For the year ended June 30, 2015**

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues:			
Federal sources	\$ 1,587	\$ 1,587	\$ 1,537
Expenditures:			
Purchased services	1,550	1,550	1,501
Supplies and materials	37	37	37
Total expenditures	1,587	1,587	1,538
Deficiency of revenues under expenditures	\$ -	\$ -	(1)
Other financing source:			
Transfers in			1
Net change in fund balance			-
Fund balance, September 1, 2014			-
Fund balance, end of year			\$ -

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2015**

	<u>General Education Development</u>	<u>Bus Driver Training</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 1,888	\$ 1,888
Accounts receivable	435	-	435
	<u>435</u>	<u>-</u>	<u>435</u>
Total assets	<u>\$ 435</u>	<u>\$ 1,888</u>	<u>\$ 2,323</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES			
Restricted	<u>435</u>	<u>1,888</u>	<u>2,323</u>
Total liabilities and fund balances	<u>\$ 435</u>	<u>\$ 1,888</u>	<u>\$ 2,323</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the year ended June 30, 2015**

	General Education Development	Bus Driver Training	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Local sources	\$ 5,143	\$ 1,240	\$ 6,383
State sources	-	688	688
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>5,143</u>	<u>1,928</u>	<u>7,071</u>
Expenditures:			
Salaries and benefits	8,894	-	8,894
Purchased services	335	1,316	1,651
Supplies and materials	-	34	34
Pension expense	1,203	-	1,203
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>10,432</u>	<u>1,350</u>	<u>11,782</u>
Excess (deficiency) of revenues over (under) expenditures	(5,289)	578	(4,711)
Other financing sources:			
Transfers in	<u>6,774</u>	<u>-</u>	<u>6,774</u>
Net change in fund balances	1,485	578	2,063
Fund balances (deficits), beginning of year	<u>(1,050)</u>	<u>1,310</u>	<u>260</u>
Fund balances, end of year	<u><u>\$ 435</u></u>	<u><u>\$ 1,888</u></u>	<u><u>\$ 2,323</u></u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2015**

	<u>Employee Benefits</u>	<u>Transportation Reimbursement</u>	<u>Building</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,689	\$ 2,611	\$ 5,413	\$ 13,713
Accounts receivable	879	-	-	879
Due from other governments	-	88	4,200	4,288
Total current assets	6,568	2,699	9,613	18,880
Noncurrent assets:				
Capital assets, net	494	1,447	598,071	600,012
Total assets	7,062	4,146	607,684	618,892
LIABILITIES				
Current liabilities:				
Accounts payable	5,235	-	2,048	7,283
Due to other funds	-	63,705	56,781	120,486
Current portion of long-term debt	-	-	23,104	23,104
Total current liabilities	5,235	63,705	81,933	150,873
Noncurrent liabilities:				
Long-term debt, net of current portion	-	-	277,868	277,868
Total liabilities	5,235	63,705	359,801	428,741
NET POSITION				
Net investment in capital assets	494	1,447	297,099	299,040
Unrestricted	1,333	(61,006)	(49,216)	(108,889)
Total net position	\$ 1,827	\$ (59,559)	\$ 247,883	\$ 190,151

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the year ended June 30, 2015**

	<u>Employee Benefits</u>	<u>Transportation Reimbursement</u>	<u>Building</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 163,672	\$ 9,720	\$ 60,000	\$ 233,392
Operating expenses:				
Salaries and benefits	22,446	6,916	-	29,362
Purchased services	158,258	3,790	10,470	172,518
Supplies and materials	-	1,971	265	2,236
Depreciation	660	-	18,535	19,195
Total operating expenses	181,364	12,677	29,270	223,311
Operating income (loss)	(17,692)	(2,957)	30,730	10,081
Nonoperating revenues (expenses):				
Interest expense	-	-	(18,360)	(18,360)
Restoration of impaired capital asset	-	-	(14,842)	(14,842)
Gain on sale of capital assets	-	-	30,905	30,905
Total nonoperating revenues (expenses)	-	-	(2,297)	(2,297)
Income (loss) before transfers	(17,692)	(2,957)	28,433	7,784
Transfers out	(17,663)	-	-	(17,663)
Change in net position	(35,355)	(2,957)	28,433	(9,879)
Net position - beginning of year, restated (See note 21)	37,182	(56,602)	219,450	200,030
Net position - end of year	<u>\$ 1,827</u>	<u>\$ (59,559)</u>	<u>\$ 247,883</u>	<u>\$ 190,151</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the year ended June 30, 2015**

	Employee Benefits	Transportation Reimbursement	Building	Total
Cash flows from operating activities:				
Collection of fees	\$ 162,793	\$ 10,101	\$ 62,105	\$ 234,999
Payments to suppliers and providers of goods and services	(153,023)	(5,761)	(11,633)	(170,417)
Payments to employees	(37,160)	(6,916)	-	(44,076)
Net cash provided (used) by operating activities	<u>(27,390)</u>	<u>(2,576)</u>	<u>50,472</u>	<u>20,506</u>
Cash flows from noncapital financing activities:				
Receipts from interfund borrowings, net	50,742	5,187	9,065	64,994
Transfers out	(17,663)	-	-	(17,663)
Net cash provided by noncapital financing activities	<u>33,079</u>	<u>5,187</u>	<u>9,065</u>	<u>47,331</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets	-	-	69,963	69,963
Restoration of impaired capital asset	-	-	(14,842)	(14,842)
Principal paid on capital debt	-	-	(90,885)	(90,885)
Interest paid on capital debt	-	-	(18,360)	(18,360)
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(54,124)</u>	<u>(54,124)</u>
Net increase in cash and cash equivalents	5,689	2,611	5,413	13,713
Cash and cash equivalents - beginning	-	-	-	-
Cash and cash equivalents - ending	<u>\$ 5,689</u>	<u>\$ 2,611</u>	<u>\$ 5,413</u>	<u>\$ 13,713</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (17,692)	\$ (2,957)	\$ 30,730	\$ 10,081
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	660	-	18,535	19,195
Decrease (increase) in assets:				
Accounts receivable	(879)	55	5	(819)
Due from other governments	-	326	2,100	2,426
Increase (decrease) in liabilities:				
Accounts payable	5,235	-	(898)	4,337
Accrued salaries and benefits	(14,714)	-	-	(14,714)
Net cash provided (used) by operating activities	<u>\$ (27,390)</u>	<u>\$ (2,576)</u>	<u>\$ 50,472</u>	<u>\$ 20,506</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2015**

	Rend Lake Regional Delivery System	Clearing	Regional Vocational Board	Hamilton County 1% Sales Tax	Total
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 14,762	\$ -	\$ 14,762
Due from other governments	-	-	-	86,152	86,152
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,762</u>	<u>\$ 86,152</u>	<u>\$ 100,914</u>
LIABILITIES					
Due to other governments	\$ -	\$ -	\$ 14,762	\$ 86,152	\$ 100,914
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,762</u>	<u>\$ 86,152</u>	<u>\$ 100,914</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the year ended June 30, 2015**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<u>REND LAKE REGIONAL DELIVERY SYSTEM</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 379,359	\$ 379,359	\$ -
Due from other governments	10,082	-	10,082	-
	\$ 10,082	\$ 379,359	\$ 389,441	\$ -
Total assets	\$ 10,082	\$ 379,359	\$ 389,441	\$ -
LIABILITIES				
Due to other governments	\$ 10,082	\$ 379,359	\$ 389,441	\$ -
	\$ 10,082	\$ 379,359	\$ 389,441	\$ -
Total liabilities	\$ 10,082	\$ 379,359	\$ 389,441	\$ -
<u>CLEARING</u>				
ASSETS				
Cash and cash equivalents	\$ 299	2,679	\$ 2,978	\$ -
Due from other governments	317	-	317	-
	\$ 616	\$ 2,679	\$ 3,295	\$ -
Total assets	\$ 616	\$ 2,679	\$ 3,295	\$ -
LIABILITIES				
Accounts payable	\$ 616	\$ 2,679	\$ 3,295	\$ -
	\$ 616	\$ 2,679	\$ 3,295	\$ -
Total liabilities	\$ 616	\$ 2,679	\$ 3,295	\$ -

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Continued)
AGENCY FUNDS
For the year ended June 30, 2015**

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>REGIONAL VOCATIONAL BOARD</u>				
ASSETS				
Cash and cash equivalents	\$ 13,782	\$ 77,315	\$ 76,335	\$ 14,762
Due from other governments	911	-	911	-
Total assets	<u>\$ 14,693</u>	<u>\$ 77,315</u>	<u>\$ 77,246</u>	<u>\$ 14,762</u>
LIABILITIES				
Due to other governments	<u>\$ 14,693</u>	<u>\$ 77,315</u>	<u>\$ 77,246</u>	<u>\$ 14,762</u>
Total liabilities	<u>\$ 14,693</u>	<u>\$ 77,315</u>	<u>\$ 77,246</u>	<u>\$ 14,762</u>
<u>HAMILTON COUNTY 1% SALES TAX</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 255,819	\$ 255,819	\$ -
Due from other governments	-	86,152	-	86,152
Total assets	<u>\$ -</u>	<u>\$ 341,971</u>	<u>\$ 255,819</u>	<u>\$ 86,152</u>
LIABILITIES				
Due to other governments	<u>\$ -</u>	<u>\$ 341,971</u>	<u>\$ 255,819</u>	<u>\$ 86,152</u>
Total liabilities	<u>\$ -</u>	<u>\$ 341,971</u>	<u>\$ 255,819</u>	<u>\$ 86,152</u>

**HAMILTON AND JEFFERSON COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 25**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Concluded)
AGENCY FUNDS
For the year ended June 30, 2015**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 14,081	\$ 715,172	\$ 714,491	\$ 14,762
Due from other governments	11,310	86,152	11,310	86,152
Total assets	<u>\$ 25,391</u>	<u>\$ 801,324</u>	<u>\$ 725,801</u>	<u>\$ 100,914</u>
LIABILITIES				
Accounts payable	\$ 616	\$ 2,679	\$ 3,295	\$ -
Due to other governments	24,775	798,645	722,506	100,914
Total liabilities	<u>\$ 25,391</u>	<u>\$ 801,324</u>	<u>\$ 725,801</u>	<u>\$ 100,914</u>