

State of Illinois  
ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
FINANCIAL AUDIT  
For the Year Ended June 30, 2016

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

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
 REGIONAL OFFICE OF EDUCATION #1  
 JUNE 30, 2016

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ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
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ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
JUNE 30, 2016

OFFICIALS

Regional Superintendent  
(Current and During the Audit Period)

Ms. Jill Reis

Assistant Regional Superintendent  
(Current and During the Audit Period)

Mr. Jeff Stephens

Offices are located at:

507 Vermont Street  
Quincy, IL 62301

1267 East Washington  
Pittsfield, IL 62363

110 N. West St.  
Jacksonville, IL 62650

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
JUNE 30, 2016

FINANCIAL REPORT SUMMARY

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

AUDITORS' REPORTS

The auditor's reports do not contain scope limitations, disclaimers, or other significant nonstandard language.

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	2	2
Repeated audit findings	2	1
Prior recommendations implemented or not repeated	0	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>
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FINDINGS (*GOVERNMENT AUDITING STANDARDS*)

2016-001	11a	Controls over Financial Statement Preparation	Material Weakness
2016-002	11c	Internal Control over Accounting and Closing Transactions	Material Weakness

PRIOR FINDINGS NOT REPEATED (*GOVERNMENT AUDITING STANDARDS*)

There were no prior findings not repeated for the year ended June 30, 2016.

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
JUNE 30, 2016

FINANCIAL REPORT SUMMARY (Concluded)

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference on September 15, 2016. Attending were Jill Reis, Regional Superintendent; Heather Factor, Controller; and Phil Spencer, Kemper CPA Group, LLP. Responses to the recommendations were provided by Jill Reis, Regional Superintendent, on February 8, 2017.

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
JUNE 30, 2016

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1 was performed by Kemper CPA Group LLP, Certified Public Accountants and Consultants.

Based on their audit, the auditors expressed an unmodified opinion on the Regional Office of Education #1's basic financial statements.

INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

**Report on the Financial Statements**

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matters**

As disclosed in Note 13, the Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1 consolidated Brown, Cass, Morgan, and Scott Counties into its Educational Service Region effective July 1, 2015.

Our opinion is not modified with respect to this matter.

### **Other Matters**

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Illinois Municipal Retirement Fund Schedule of Changes in the Net Pension Liability & Related Ratios, Illinois Municipal Retirement Fund Schedule of Employer Contributions, Teachers' Retirement System of the State of Illinois Schedule of the Employer's Proportionate Share of the Net Pension Liability, and Teachers' Retirement System of Illinois Schedule of Employer Contributions on pages 58 through 60 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 Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1'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 July 11, 2017 on our consideration of the Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1's internal control over financial reporting and compliance.

signed original on file

*Certified Public Accountants and Consultants*

Mattoon, Illinois  
July 11, 2017



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

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1's basic financial statements, and have issued our report thereon dated July 11, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1'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 Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1's internal control. Accordingly, we do not express an opinion on the effectiveness of Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2016–001 and 2016–002 that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1’s Responses to Findings

Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1’s responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1’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 Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

signed original on file

*Certified Public Accountants and Consultants*

Mattoon, Illinois  
July 11, 2017

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

SECTION I – SUMMARY OF AUDITORS’ RESULTS

**Financial Statements**

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	Yes
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding No. 2016-001 – Controls over Financial Statement Preparation (Repeat of 15-001)**

**Criteria/Specific Requirement:**

The Regional Office of Education #1 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Regional Office’s internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP-basis 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 fund 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, this 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 No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*, require governments to record and present net accrued pension liabilities/assets, deferred inflows and outflows 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 #1 does not have sufficient internal controls over the financial reporting process. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP-based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

- A. During review of the Regional Office’s accounting records, auditors noted the Regional Office’s financial information required several adjusting entries to present the financial statements in accordance with generally accepted accounting principles.
- B. The Regional Office did not have adequate controls to record and report its net accrued pension liability/asset, deferred outflows and inflows of resources, and pension expense in accordance with GAAP. Proposed adjusting entries were approved and accepted by the Regional Office’s management.

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding No. 2016-001 – Controls over Financial Statement Preparation (Repeat of 15-001)  
(Concluded)**

**Condition (Concluded):**

- C. The Regional Office failed to record \$317,172 in cash and \$315,985 in fund balances from the consolidation with the former Regional Office of Education #46. Also, a new bank account in the amount of \$1,000 was not recorded in the accounting system at year-end.
- D. The Regional Office did not reverse a prior year accrual, which resulted in an overstatement of cash and revenue in the amount of \$16,631 in the Institute Fund.

**Effect:**

Management or employees in the normal course of performing their assigned functions may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

**Cause:**

According to the Regional Office of Education #1's management, current funding levels are not adequate to hire and/or train accounting personnel in order to comply with the complex financial reporting requirements. Management was not aware of the requirements for reporting activity related to the consolidation of the Regional Office of Education #46.

**Auditor's Recommendation:**

As part of internal control over the preparation of financial statements, the Regional Office of Education #1 should implement comprehensive preparation procedures to ensure the financial statements are complete and accurate. These 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 #1 understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office will review the current auditors' recommendation and will work to revise the Regional Office of Education's policies, procedures and/or practices to address the finding noted.

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding No. 2016-002 – Internal Control over Accounting and Closing Transactions (Repeated from Finding 15-002, 14-001 and 13-001)**

**Criteria/Specific Requirement:**

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over the Regional Office’s accounting processes to prevent errors and fraud in reporting.

**Condition:**

Auditors noted the following internal control weaknesses over the accounting and closing processes:

- A. The Regional Office records overhead and administrative costs in the general fund and allocates those costs as needed to the appropriate special revenue or other funds. Auditors noted several instances where administrative costs were appropriately recorded as expenditures in the fund that reimbursed the cost but the reimbursements were recorded as transfers into the general fund, without a corresponding transfer out from the reimbursing fund, resulting in expenditures being overstated and interfund transfers being out of balance.
  
- B. Opening fund balances were not correctly allocated in the Education Fund programs and several of the General Fund accounts.

**Effect:**

Lack of effective internal control procedures could result in unintentional or intentional errors or misappropriations of assets, which could be material to the financial statements and may not be detected in a timely manner by employees in the normal course of performing their assigned duties.

**Cause:**

The Regional Office of Education #1 has not established or documented sufficient internal control procedures.

**Auditor’s Recommendations:**

- A. Administrative costs should be recorded as expenditures in the fund that incurred the expenses. The associated transfer of cash to reimburse the fund that paid the costs should be recorded as an offset to the associated expenditure in the reimbursed fund.

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

**SECTION II – FINANCIAL STATEMENT FINDINGS (Concluded)**

**Finding No. 2016-002 – Internal Control over Accounting and Closing Transactions (Repeated from Finding 15-002, 14-001 and 13-001) (Concluded)**

**Auditor’s Recommendations (Concluded):**

- B. Opening fund balances should be compared to the prior year’s ending fund balances to ensure accuracy and completeness after the prior year’s financial close.

**Management’s Response:**

The Regional Office accepts the auditors’ recommendations and has revised policies, procedures, and/or practices to address the finding noted.

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND RESPONSES  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

**Corrective Action Plan**

**Finding No. 2016-001 – Controls over Financial Statement Preparation (Repeat of 15-001)**

**Condition:**

The Regional Office of Education #1 does not have sufficient internal controls over the financial reporting process. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP-based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

- A. During review of the Regional Office's accounting records, auditors noted the Regional Office's financial information required several adjusting entries to present the financial statements in accordance with generally accepted accounting principles.
- B. The Regional Office did not have adequate controls to record and report its net accrued pension liability/asset, deferred outflows and inflows of resources, and pension expense in accordance with GAAP. Proposed adjusting entries were approved and accepted by the Regional Office's management.
- C. The Regional Office failed to record \$321,176 in cash and \$315,748 in fund balances from the consolidation with the former Regional Office of Education #46. Also, a new bank account in the amount of \$1,000 was not recorded in the accounting system at year-end.
- D. The Regional Office did not reverse a prior year accrual, which resulted in an overstatement of cash and revenue in the amount of \$16,631 in the Institute Fund.

**Plan:**

The Regional Office of Education #1 accepts the degree of risk associated with this condition because the additional expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region. The Regional Office will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring that its employees possess the knowledge required to compile the necessary GAAP-based financial statements.

**Anticipated Date of Completion:**

Ongoing

**Contact Person Responsible for Corrective Action:**

Honorable Jill Reis, Regional Superintendent of Schools

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF FINDINGS AND RESPONSES  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

**Finding No. 2016-002 – Internal Control over Accounting and Closing Transactions (Repeat from Finding 15-002, 14-001, 13-001)**

**Condition:**

Auditors noted the following internal control weaknesses over the accounting and closing processes:

- A. The Regional Office records overhead and administrative costs in the general fund and allocates those costs as needed to the appropriate special revenue or other funds. Auditors noted several instances where administrative costs were appropriately recorded as expenditures in the fund that reimbursed the cost but the reimbursements were recorded as transfers into the general fund, without a corresponding transfer out from the reimbursing fund, resulting in expenditures being overstated and interfund transfers being out of balance.
- B. Opening fund balances were not correctly allocated in the Education Fund programs and several of the General Fund accounts.

**Plan:**

- A. The Regional Office will establish procedures to ensure that administrative costs will be recorded as expenditures in the fund that incurred the expenses. The associated transfer of cash to reimburse the fund that paid the costs will be recorded as an offset to the associated expenditure in the reimbursed fund.
- B. The Regional Office will establish procedures to ensure that opening balances are compared to the prior year's ending balances to ensure accuracy and completeness after the prior years financial close.

**Anticipated Date of Completion:**

June 30, 2017

**Contact Person Responsible for Corrective Action:**

Honorable Jill Reis, Regional Superintendent of Schools

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2016

<b><u>Finding No.</u></b>	<b><u>Condition</u></b>	<b><u>Current Status</u></b>
2015-001	Controls over Financial Statement Preparation	Repeated as Finding 2016-001
2015-002	Internal Control over Accounting and Closing Transactions	Repeated as Finding 2016-002

## BASIC FINANCIAL STATEMENTS

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,185,618	\$ 95,626	\$ 1,281,244
Accounts receivable	4,908	-	4,908
Due from other governments:			
Local	40,448	5,221	45,669
State	100,554	-	100,554
Federal	41,264	-	41,264
Investments	68,282	-	68,282
Total current assets	<u>1,441,074</u>	<u>100,847</u>	<u>1,541,921</u>
Noncurrent assets:			
Capital assets, being depreciated, net	24,998	780	25,778
Total noncurrent assets	<u>24,998</u>	<u>780</u>	<u>25,778</u>
TOTAL ASSETS	<u>1,466,072</u>	<u>101,627</u>	<u>1,567,699</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>1,370,580</u>	<u>-</u>	<u>1,370,580</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	41,640	1,378	43,018
Due to other governments:			
Local	9,635	-	9,635
State	22	-	22
Federal	1,782	-	1,782
Unearned revenue	54,880	-	54,880
Total current liabilities	<u>107,959</u>	<u>1,378</u>	<u>109,337</u>
Noncurrent liabilities:			
Net pension liability	362,711	-	362,711
Liability for compensated absences	6,632	-	6,632
TOTAL LIABILITIES	<u>477,302</u>	<u>1,378</u>	<u>478,680</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>138,134</u>	<u>-</u>	<u>138,134</u>
<b>NET POSITION</b>			
Investment in capital assets	24,998	780	25,778
Restricted—other	282,467	-	282,467
Unrestricted	1,913,751	99,469	2,013,220
TOTAL NET POSITION	<u>\$ 2,221,216</u>	<u>\$ 100,249</u>	<u>\$ 2,321,465</u>

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

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary Government:						
Governmental Activities:						
Instructional Services						
Salaries and benefits	\$ 1,149,030	\$ -	\$ 642,934	\$ (506,096)	\$ -	\$ (506,096)
Purchased services	313,012	-	197,645	(115,367)	-	(115,367)
Supplies and materials	26,614	-	18,804	(7,810)	-	(7,810)
Other objects	55,684	-	18,577	(37,107)	-	(37,107)
Depreciation expense	9,893	-	-	(9,893)	-	(9,893)
Capital outlay	-	-	6,293	6,293	-	6,293
Payments to other governments	328,283	-	157,225	(171,058)	-	(171,058)
Pension expense (income)	(776,024)	-	-	776,024	-	776,024
Administrative:						
On-behalf payments - Local	43,973	-	-	(43,973)	-	(43,973)
On-behalf payments - State	367,982	-	-	(367,982)	-	(367,982)
Total Governmental Activities	<u>1,518,447</u>	<u>-</u>	<u>1,041,478</u>	<u>(476,969)</u>	<u>-</u>	<u>(476,969)</u>
Business-Type Activities:						
Charges for services	15,309	21,369	-	-	6,060	6,060
Total Business-Type Activities	<u>15,309</u>	<u>21,369</u>	<u>-</u>	<u>-</u>	<u>6,060</u>	<u>6,060</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 1,533,756</u>	<u>\$ 21,369</u>	<u>\$ 1,041,478</u>	<u>(476,969)</u>	<u>6,060</u>	<u>(470,909)</u>
GENERAL REVENUES:						
Local sources				653,051	-	653,051
State sources				671,028	-	671,028
On-behalf payments - Local				43,973	-	43,973
On-behalf payments - State				367,982	-	367,982
Transfers in (out)				(225)	225	-
Investment earnings				4,463	410	4,873
Total General Revenues				<u>1,740,272</u>	<u>635</u>	<u>1,740,907</u>
CHANGE IN NET POSITION				1,263,303	6,695	1,269,998
NET POSITION - BEGINNING (Restated, See Note 13)				<u>957,913</u>	<u>93,554</u>	<u>1,051,467</u>
NET POSITION - ENDING				<u>\$ 2,221,216</u>	<u>\$ 100,249</u>	<u>\$ 2,321,465</u>

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

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General Fund	Education Fund	Nonmajor Special Revenue Funds	Eliminations	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 914,088	\$ 80,879	\$ 190,651	\$ -	\$ 1,185,618
Accounts receivable	2,702	-	2,206	-	4,908
Due from other funds	114,982	-	-	(114,982)	-
Due from other governments:					
Local	30,115	10,333	-	-	40,448
State	150	100,404	-	-	100,554
Federal	-	41,264	-	-	41,264
Investments	64,989	-	3,293	-	68,282
Total assets	<u>\$ 1,127,026</u>	<u>\$ 232,880</u>	<u>\$ 196,150</u>	<u>\$ (114,982)</u>	<u>\$ 1,441,074</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 41,354	\$ 230	\$ 56	\$ -	\$ 41,640
Due to other funds	4,517	110,465	-	(114,982)	-
Due to other governments:					
Local	-	9,635	-	-	9,635
State	-	22	-	-	22
Federal	-	1,782	-	-	1,782
Unearned revenue	30,507	24,373	-	-	54,880
Total liabilities	<u>76,378</u>	<u>146,507</u>	<u>56</u>	<u>(114,982)</u>	<u>107,959</u>
<b>FUND BALANCE</b>					
Restricted	-	86,373	196,094	-	282,467
Assigned	85,360	-	-	-	85,360
Unassigned	965,288	-	-	-	965,288
Total fund balance	<u>1,050,648</u>	<u>86,373</u>	<u>196,094</u>	<u>-</u>	<u>1,333,115</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 1,127,026</u>	<u>\$ 232,880</u>	<u>\$ 196,150</u>	<u>\$ (114,982)</u>	<u>\$ 1,441,074</u>

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

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
 REGIONAL OFFICE OF EDUCATION #1  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2016

TOTAL FUND BALANCES — GOVERNMENTAL FUNDS	\$ 1,333,115
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	24,998
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Liability for compensated absences	\$ (6,632)
IMRF net pension liability	(343,212)
TRS net pension liability	(19,499)
	(369,343)

Pension-related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and therefore are not reported in the governmental funds as follows:	
Deferred outflows of resources	\$ 1,370,580
Deferred inflows of resources	(138,134)
	1,232,446

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 2,221,216
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ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Education Fund	Nonmajor Special Revenue Funds	Eliminations	Total Governmental Funds
<b>REVENUES</b>					
Local sources	\$ 440,842	\$ 154,502	\$ 57,707	\$ -	\$ 653,051
On-behalf payments - Local	43,973	-	-	-	43,973
State sources	750,371	539,369	1,566	-	1,291,306
On-behalf payments - State	272,589	-	-	-	272,589
Federal sources	-	421,200	-	-	421,200
Investment earnings	3,665	226	572	-	4,463
Total revenues	<u>1,511,440</u>	<u>1,115,297</u>	<u>59,845</u>	<u>-</u>	<u>2,686,582</u>
<b>EXPENDITURES</b>					
Instructional services:					
Salaries and benefits	499,464	642,934	-	-	1,142,398
Pension expense	37,032	31,519	-	-	68,551
Purchased services	112,031	197,645	3,336	-	313,012
Supplies and materials	7,255	18,804	555	-	26,614
Other objects	5,608	18,577	31,499	-	55,684
Payments to other governments	171,058	157,225	-	-	328,283
On-behalf payments - Local	43,973	-	-	-	43,973
On-behalf payments - State	272,589	-	-	-	272,589
Capital outlay	1,993	4,300	-	-	6,293
Total expenditures	<u>1,151,003</u>	<u>1,071,004</u>	<u>35,390</u>	<u>-</u>	<u>2,257,397</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>360,437</u>	<u>44,293</u>	<u>24,455</u>	<u>-</u>	<u>429,185</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	830	11,581	-	(12,411)	-
Transfers out	(12,411)	(5)	(220)	12,411	(225)
Total other financing sources (uses)	<u>(11,581)</u>	<u>11,576</u>	<u>(220)</u>	<u>-</u>	<u>(225)</u>
<b>NET CHANGE IN FUND BALANCE</b>	348,856	55,869	24,235	-	428,960
<b>FUND BALANCE - BEGINNING</b>					
Restated (See Note 13)	<u>701,792</u>	<u>30,504</u>	<u>171,859</u>	<u>-</u>	<u>904,155</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,050,648</u>	<u>\$ 86,373</u>	<u>\$ 196,094</u>	<u>\$ -</u>	<u>\$ 1,333,115</u>

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

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

NET CHANGE IN FUND BALANCES — GOVERNMENTAL FUNDS \$ 428,960

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 6,293	
Depreciation expense	<u>(9,893)</u>	(3,600)

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

Change in compensated absences		(6,632)
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Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Cost of benefits earned, net		<u>844,575</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,263,303

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

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016

	Business-Type Activities Enterprise Funds		
	Local Workshops	Nonmajor Enterprise Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 81,142	\$ 14,484	\$ 95,626
Due from other governments:			
Local	3,780	1,441	5,221
Total current assets	84,922	15,925	100,847
Noncurrent assets:			
Capital assets, being depreciated, net	780	-	780
<b>TOTAL ASSETS</b>	<b>85,702</b>	<b>15,925</b>	<b>101,627</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,378	-	1,378
<b>TOTAL LIABILITIES</b>	<b>1,378</b>	<b>-</b>	<b>1,378</b>
<b>NET POSITION</b>			
Invested in capital assets	780	-	780
Unrestricted	83,544	15,925	99,469
<b>TOTAL NET POSITION</b>	<b>\$ 84,324</b>	<b>\$ 15,925</b>	<b>\$ 100,249</b>

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

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		
	Local Workshops	Nonmajor Enterprise Fund	Total
OPERATING REVENUES			
Charges for services	\$ 14,065	\$ 7,304	\$ 21,369
Total Operating Revenues	14,065	7,304	21,369
OPERATING EXPENSES			
Salaries and benefits	3,204	-	3,204
Purchased services	11,071	-	11,071
Supplies and materials	358	450	808
Depreciation	226	-	226
Total Operating Expenses	14,859	450	15,309
OPERATING INCOME (LOSS)	(794)	6,854	6,060
NONOPERATING REVENUE			
Transfers in	5	220	225
Investment earnings	326	84	410
Total Nonoperating Revenue	331	304	635
CHANGE IN NET POSITION	(463)	7,158	6,695
TOTAL NET POSITION - BEGINNING			
Restated (See Note 13)	84,787	8,767	93,554
TOTAL NET POSITION - ENDING	\$ 84,324	\$ 15,925	\$ 100,249

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

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		
	Local Workshops	Nonmajor Enterprise Fund	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 11,310	\$ 6,338	\$ 17,648
Payments to suppliers and providers of goods and services	(10,671)	(450)	(11,121)
Payments to employees	(3,204)	-	(3,204)
Net Cash Provided by (Used for) Operating Activities	<u>(2,565)</u>	<u>5,888</u>	<u>3,323</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(510)	-	(510)
Net Cash Used for Capital and Related Financing Activities	<u>(510)</u>	<u>-</u>	<u>(510)</u>
Cash Flows from Noncapital Financing Activities:			
Cash transfers from other funds	5	220	225
Net Cash Provided by Noncapital Financing Activities	<u>5</u>	<u>220</u>	<u>225</u>
Cash Flows from Investing Activities:			
Interest income	326	84	410
Net Cash Provided by Investing Activities	<u>326</u>	<u>84</u>	<u>410</u>
Net increase (decrease) in cash and cash equivalents	(2,744)	6,192	3,448
Cash and cash equivalents - Beginning, Restated (See Note 13)	83,886	8,292	92,178
Cash and cash equivalents - Ending	<u>\$ 81,142</u>	<u>\$ 14,484</u>	<u>\$ 95,626</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (794)	\$ 6,854	\$ 6,060
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	226	-	226
Increase in assets:			
Due from other governments	(2,755)	(966)	(3,721)
Increase in liabilities:			
Accounts payable	758	-	758
Net cash provided by (used for) operating activities	<u>\$ (2,565)</u>	<u>\$ 5,888</u>	<u>\$ 3,323</u>

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

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
 REGIONAL OFFICE OF EDUCATION #1  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 JUNE 30, 2016

	<u>Agency Fund</u>
	<u>Pike County School Facility Occupation Tax</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 408,444
Due from other governments	<u>1,235,655</u>
Total Assets	<u><u>\$ 1,644,099</u></u>
<b>LIABILITIES</b>	
Due to other governments	<u>\$ 1,644,099</u>
Total Liabilities	<u><u>\$ 1,644,099</u></u>

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

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

In 2016, the Regional Office of Education #1 implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; and GASB Statement No. 76, *The Hierarchy of Generally Accepted Principles for State and Local Governments – supersedes* GASB Statement No. 55. The Regional Office of Education #1 implemented these standards during the current year. The implementation of GASB Statement No. 72 establishes guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments and disclosures. The implementation of GASB Statement No. 73 establishes required enhancements to financial statement disclosures by establishing a single framework for the presentation of information about pensions. The implementation of GASB Statement No. 76 prioritizes the guidance state and local governments follow when preparing financial statements in accordance with *Generally Accepted Accounting Principles*.

A. DATE OF MANAGEMENT’S REVIEW

Management has evaluated subsequent events through July 11, 2017 the date on which the financial statements were available to be issued.

B. FINANCIAL REPORTING ENTITY

The Regional Superintendent is charged with responsibility for township fund lands; registration of the names of applicants for scholarships to State-controlled universities; examinations and related duties; visitation of public schools; direction of teachers and school officers; serving as the official advisor and assistant of school officers and teachers; conducting teachers’ institutes as well as aiding and encouraging the formation of other teachers’ meetings and assisting in their management; evaluating the schools in the region; examining evidence of indebtedness; filing and keeping the returns of elections required to be returned to the Regional Superintendent’s office; and filing and keeping the reports and statements returned by school treasurers and trustees.

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #1’s districts; providing township treasurers with a list of district treasurers; inspecting and approving building plans which comply with State law; performing and reporting on annual building inspections; investigating bus drivers for valid bus driver permits and taking related action as may be required; maintaining a list of unfilled teaching positions; and carrying out other related duties required or permitted by law.

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FINANCIAL REPORTING ENTITY (Concluded)

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

The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for the districts in the region, or 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 Superintendent is required to provide opinions and advice related to controversies under school law.

For the period ended June 30, 2016, the Regional Office of Education #1 applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in Regional Office of Education #1. Such activities are reported as a single special revenue fund (Education Fund).

C. SCOPE OF THE REPORTING ENTITY

The Regional Office of Education #1's reporting entity includes all related organizations for which it exercises oversight responsibility.

The Regional Office of Education #1 has developed criteria to determine whether outside agencies with activities that benefit the citizens of the region, including districts or joint agreements which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the Regional Office of Education #1 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The districts and joint agreements have been determined not to be a part of the reporting entity after applying the criteria of exercising oversight, scope of public service, and special financing relationships, and they are therefore excluded from the accompanying financial statements because the Regional Office of Education #1 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education #1 is not aware of any entity that would exercise such oversight as to result in the Regional Office of Education #1 being considered a component unit of the entity.

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Regional Office of Education #1's activities with most of the interfund activities removed. Governmental activities include programs supported primarily by State and federal grants and other intergovernmental revenues. The Regional Office of Education #1 has two business-type activities that rely on fees and charges for support.

The Regional Office of Education #1's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present a summary of governmental and business-type activities for the Regional Office of Education #1 accompanied by a total column. These statements are presented using an economic resources measurement focus as prescribed by GASB Statement No. 34. All of the Regional Office of Education #1's assets (including capital assets), deferred outflows of resources, liabilities, and deferred inflows of resources are included in the accompanying Statement of Net Position. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges for services and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, such as payables, receivables, and transfers. Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from other funds on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other financing sources/uses 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. Interfund activities between governmental funds and business-type funds remain as due to/due from on the government-wide financial statements. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities. In the Statement of Activities, transactions between governmental and business-type activities have not been eliminated.

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

E. PROPRIETARY FUND FINANCIAL STATEMENTS

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

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. PROPRIETARY FUND FINANCIAL STATEMENTS (Concluded)

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

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

F. GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

The governmental fund financial statements have been prepared in accordance with generally accepted accounting principles using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., when both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues received more than 60 days after the end of the current period are deferred in the governmental fund financial statements but are recognized as current revenues in the government-wide financial statements. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for prepaid expenses and other long-term obligations, which are recognized when paid.

G. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Concluded)

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

In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Regional Office of Education #1; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

Under the terms of grant agreements, Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding resources available to finance the program. It is the Regional Office of Education #1’s policy to first apply restricted funds to such programs, and then unrestricted funds. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned funds if any.

H. FUND ACCOUNTING

The Regional Office of Education #1 uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Regional Office of Education #1 uses governmental, proprietary, and fiduciary funds.

GOVERNMENTAL FUNDS

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

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

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

The Regional Office of Education #1 reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Regional Office of Education #1 and is used to account for financial resources in the Region except those required to be accounted for and reported in another fund. The General Fund is always considered a major fund. The following accounts are included in the General Fund:

General Operations – This fund accounts for monies received for expenditures in connection with general administrative activities.

Fingerprinting – This fund accounts for local monies received from school districts to share the cost of criminal background checks for substitute teachers.

General State Aid – This fund maintains revenues received from the State Board of Education earned on a per child basis and administers related program expenditures.

Miscellaneous Fund – This fund represents accumulated unused grant funds from programs that no longer exist.

Copier Fund – This fund accounts for all expenditures related to copiers.

Postage Fund – This fund accounts for all expenditures related to postage.

School Directory – This fund accounts for school directory expenditures that are made available to all the districts in the Region.

Lafayette Academy – This program serves students with attendance problems and/or dropouts. The program provides a full-time option for regular school attendance and offers modified instructional programs and other services designed to prevent students from dropping out of school.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

General Fund (Concluded)

Dental Sealant Fund – This fund is to account for the costs associated with providing the dental sealant program to Morgan and Scott County schools.

Pike County Film Coop – This fund was financed in prior years by contributions from the six member schools within Pike County based on an amount equal to \$1.25 per enrolled student.

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

Education Fund – This fund is used to account for and report the proceeds of specific revenue sources that are restricted by grant agreements or contracts to expenditures for specified purposes supporting education enhancement programs as follows:

Administrators Academy – The ROE received a State grant to provide workshops for area teachers.

Regional Office of Prevention Effectiveness Services (ROPES) – This is a State grant to provide substance abuse prevention for youth ages 10-17 in Calhoun, Greene, Cass, and Morgan Counties.

Truants Alternative and Optional Education – This program provides truancy prevention programs and services for monitoring truants.

ROE/ISC Operations – This fund accounts for monies for general and administrative expenditures.

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

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

National School Breakfast Program – This program provides breakfasts that meet federal requirements to all children in attendance at the Regional Safe School Program.

McKinney Education for Homeless Children – This program is to provide for a local homeless liaison to help homeless students in the Region.

Regional Safe Schools – This program provides activities for disruptive students who are eligible for suspension or expulsion.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

Education Fund (Concluded)

Child and Family Connections – This program for preschool children with disabilities is funded by the Department of Human Services.

Tracy National Institute for School Leadership – This program provides school leadership training through the National Institute for School Leadership and is funded by a grant from the Tracy Family Foundation and a corporate donation.

Schools Against Fearful Environment (SAFE) – This program provides drug-free programs from the Sheriff’s Department to local school districts.

Regional Safe Schools Cooperative – This program provides activities for disruptive students who are eligible for suspension or expulsion. The activities provide individually designed curriculum, social skills training, career exploration and work experience opportunities, and opportunities to work toward re-entry into the traditional programs, if appropriate.

Math Blast – This program provides weekly math problem-solving opportunities for students in partnership with local grocery stores.

Title II – Teacher Quality – Leadership – This program accounts for the proceeds of a grant from the Illinois State Board of Education to improve teacher effectiveness in the classroom.

Early Childhood Education Initiative – This program is intended to have a learning impact on preschool age children to increase their ability to succeed in school.

Title I – School Improvement and Accountability – Provides ISBE-developed and -approved content to local school districts. Services are provided through professional development workshops, targeted networking sessions, and technical assistance.

Reading: A Healthy Start – By partnering with medical providers, this program seeks to develop critical early reading skills in children and to encourage families to read together.

The Regional Office of Education #1 reports the following Nonmajor Special Revenue Funds:

General Education Development (GED) – Illinois law requires the Regional Superintendent of Schools to administer the GED test. Testing fees provide testing materials and staff salaries.

Tracy Foundation General Education Development – This fund is used to administer scholarships for qualified candidates taking the GED test.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Concluded)

GOVERNMENTAL FUNDS (Concluded)

Bus Driver Training – Experienced bus drivers must take a two-hour refresher course annually, while all new drivers must take an eight-hour course in bus driver safety and first aid prescribed by the Illinois State Board of Education and administered by the Regional Office.

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

PROPRIETARY FUNDS

Proprietary funds account for revenues and expenses related to services provided to organizations within the region on a cost-reimbursement basis. Enterprise funds are proprietary funds that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to external entities or the general public on a continuing basis should be financed or recovered primarily through user charges. The Regional Office of Education #1 reports the following enterprise funds:

Local Workshops – This program accounts for monies received for the general operations of workshops and the administrator's academy.

The Regional Office of Education #1 reports the following nonmajor enterprise fund:

Testing Center – This fund is used to account for the activity of the new testing center located at the Regional Office of Education #1.

FIDUCIARY FUNDS

Agency funds are used to account for assets held by the Regional Office of Education #1 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 #1 reports the following agency fund:

Pike County School Facility Occupation Tax – This fund accounts for the assets held by the Regional Office of Education #1 to be distributed to local school districts. Monies are received from the State Comptroller for the School Facilities Occupation Tax and are disbursed to the school districts.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. GOVERNMENTAL FUND BALANCES

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 net position that is not available to be spent, either short term or long term, due to either its form or legal restrictions. The Regional Office of Education #1 has no nonspendable fund balances.

Restricted Fund Balance - The portion of a governmental fund's net position that is subject to external enforceable legal restrictions. The following nonmajor special revenue funds are restricted by Illinois Statute: General Education Development, Bus Driver Training, and Institute Funds. The following Education Fund accounts are restricted by grantor or donor restrictions: Truants Alternative Optional Education, National School Lunch Program, National School Breakfast Program, McKinney Education for Homeless Children, Tracy National Institute for School Leadership, and Early Childhood Education Initiative.

Committed Fund Balance - The portion of a governmental fund's net position with self-imposed constraints or limitations that have been placed at the highest level of decision making. The Regional Office of Education #1 has no committed fund balances.

Assigned Fund Balance - The portion of a governmental fund's net position for which an intended use of resources has been denoted. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The following General Fund accounts have assigned fund balances: Fingerprinting, School Directory, Lafayette Academy, Dental Sealants Fund, and Pike County Film Coop.

Unassigned Fund Balance - Available expendable financial resources in a governmental fund that are not designated for a specific purpose. The fund balances of the following General Fund accounts are unassigned: General Operations, General State Aid, Miscellaneous Fund, Copier Fund, and Postage Fund.

J. NET POSITION

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

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.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. NET POSITION (Concluded)

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

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

K. CASH AND CASH EQUIVALENTS

The Regional Office of Education #1 considers cash on hand, checking accounts, savings accounts, money market accounts, and investments with an original maturity date of less than three months to be cash and cash equivalents. As of June 30, 2016, cash and cash equivalents consisted of cash on deposit and invested in the Illinois Funds Money Market Fund.

L. 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.

M. CAPITAL ASSETS

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

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

Office equipment and furniture	5-10 years
Computer equipment	3 years
Software and licenses	2 years

In the governmental fund financial statements, capital assets are reported as capital outlay expenditures when acquired.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

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

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources are reported in the governmental fund financial statements as unavailable revenue and represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental funds consist of grant receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of components of the net pension liability that will reduce pension expense in future years.

O. COMPENSATED ABSENCES

Full-time employees can earn from 10 to 20 vacation days for a full year of service. At the end of the fiscal year, up to ten days of accumulated vacation time can be carried forward. Employee vacation pay is recorded when paid. At June 30, 2016, the liability for unused vacation days was \$6,632, and is shown on the Statement of Net Position.

A full-time employee is entitled to two personal leave days per year. These days must be used in the employee year and may not accumulate from year to year.

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

P. BUDGET INFORMATION

The Regional Office of Education #1 acts as the administrative agent for certain grant programs that are accounted for in the General and Education Funds. Certain programs have separate budgets and are required to report to the Illinois State Board of Education; however, none of the annual budgets have been legally adopted, nor are they required to be. Certain programs within the General Fund and Special Revenue Funds do not have separate budgets.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

P. BUDGET INFORMATION (Concluded)

Comparisons of budgeted and actual results are presented as supplementary information. Budgetary comparison schedules have been provided in supplementary schedules for the following funds: Regional Office of Prevention Effectiveness Services (ROPES), Truants Alternative and Optional Education, ROE/ISC Operations, McKinney Education for Homeless Children, Regional Safe Schools, Child and Family Connections, Regional Safe Schools Cooperative, Title II – Teacher Quality – Leadership, and Title I – School Improvement and Accountability.

NOTE 2 – DEPOSITS AND INVESTMENTS

The Regional Office of Education #1 is permitted to invest in securities as authorized by 30 ILCS-235/2 and 6 and 105 ILCS-5/8-7. It is the policy of the Regional Office to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Regional Office and conforming to all State statutes governing the investment of public funds. This policy includes all funds under the care and control of the Regional Superintendent of Schools.

A. DEPOSITS

At June 30, 2016, the carrying amount of the Regional Office of Education #1's government-wide and agency fund deposits were \$1,281,244 and \$408,444, respectively, and the bank balances were \$1,332,986 and \$408,444, respectively. Of the total bank balances as of June 30, 2016, \$573,176 was insured by Federal Depository Insurance Corporation, \$1,167,440 was collateralized by securities pledged by the Regional Office of Education #1's financial institution in the name of the Regional Office, and \$814 was invested in the Illinois Funds Money Market Fund.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits with financial institutions is the risk that, in the event of bank failure, the Regional Office's deposits may not be returned to it. To guard against custodial credit risk for deposits with financial institutions, the Regional Office of Education #1's investment policy requires that deposits with financial institutions in excess of FDIC limits be secured by some form of collateral, by a written agreement, and held at an independent, third-party institution in the name of the Regional Office.

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NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

B. INVESTMENTS

The Regional Office of Education #1 has a formal investment policy that permits it to invest only in certain instruments, including, among others, securities guaranteed by the full faith and credit of the United States of America as to principal and interest; bonds, notes, and similar obligations of the United States of America; interest-bearing deposits or other direct obligations of any bank as defined by the Illinois Banking Act, 205 ILCS 5/1 et seq.; short-term obligations of U.S. corporations with assets exceeding \$500,000,000 if they are rated at the time of purchase at one of the three highest classifications by at least two standard rating services, if they do not exceed 10% of the corporation's outstanding obligations, and if no more than one-third of the Regional Office's funds are invested in commercial paper; and certain money market mutual funds registered under the Federal Investment Company Act of 1940, 14 U.S.C. ¶ 80a-1 et seq. As of June 30, 2016, the Regional Office of Education #1 had deposits totaling \$814 in the Illinois Funds Money Market Fund, which is reported as cash and cash equivalents in the financial statements.

As of June 30, 2016, the Regional Office of Education #1's investments consisted of certificates of deposit with original maturity dates of more than three months. Certificates of deposit comprised the \$68,282 shown as investments for governmental activities. Certificates of deposit are considered deposits and, as such, are included in the deposit note (2A) above.

CREDIT RISK

At June 30, 2016, the Illinois Funds Money Market Fund had a Standard and Poor's AAAm rating. The pool is audited annually by an outside independent auditor, and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provision of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

CONCENTRATION OF CREDIT RISK

Unless specifically authorized by the Treasurer, the Illinois Funds Money Market Fund's investment policy limits investment categories to not exceed 25% of the portfolio with the exception of cash equivalents and U.S. Treasury securities. Further certificates of deposit cannot exceed 10% of any single financial institution's total deposits.

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NOTE 2 – DEPOSITS AND INVESTMENTS (Concluded)

INTEREST RATE RISK

The Illinois Funds Money Market Fund, created by the Illinois General Assembly, enables custodians of public funds an investment option with a competitive rate of return on fully collateralized investments and immediate access to the funds. The investment policy of the Illinois Funds Money Market 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.

NOTE 3 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the Regional Office of Education #1 has reported capital assets in the government-wide Statement of Net Position. Purchases are reported as capital outlay in the governmental fund statements. Purchases of business-type activities are capitalized when purchased.

During the consolidation described in Note 13, the Regional Office of Education #1 acquired capital assets with a value of \$8,000. These capital assets are reflected in the July 1, 2015 balance of the Governmental Activities. The following table provides a summary of changes in total assets, accumulated depreciation, and investment in capital assets for the year ended June 30, 2016:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental Activities				
Capital assets being depreciated:				
Office furniture	\$ 23,272	\$ -	\$ -	\$ 23,272
Office equipment	313,838	6,293	-	320,131
Total capital assets being depreciated	<u>337,110</u>	<u>6,293</u>	<u>-</u>	<u>343,403</u>
Less accumulated depreciation:				
Office furniture	(23,272)	-	-	(23,272)
Office equipment	(285,240)	(9,893)	-	(295,133)
Total accumulated depreciation	<u>(308,512)</u>	<u>(9,893)</u>	<u>-</u>	<u>(318,405)</u>
Governmental Activities -				
Investment in Capital Assets	<u>\$ 28,598</u>	<u>\$ (3,600)</u>	<u>\$ -</u>	<u>\$ 24,998</u>
Business-Type Activities				
Capital assets being depreciated:				
Office Equipment	\$ 620	\$ 510	\$ -	\$ 1,130
Less accumulated depreciation:				
Office Equipment	(124)	(226)	-	(350)
Business-Type Activities -				
Investment in Capital Assets	<u>\$ 496</u>	<u>\$ 284</u>	<u>\$ -</u>	<u>\$ 780</u>

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NOTE 3 – CAPITAL ASSETS (Concluded)

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense of \$9,893 and \$226 was charged to the governmental activities and business-type activities, respectively, on the government-wide Statement of Activities for the year ended June 30, 2016. Investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation.

NOTE 4 – DEFINED-BENEFIT PENSION PLAN

**IMRF Plan Description**

The Regional Office of Education #1'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 #1'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 below. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

**Benefits Provided**

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

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

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NOTE 4 – DEFINED-BENEFIT PENSION PLAN (Continued)

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

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

**Employees Covered by Benefit Terms**

As of December 31, 2015, the following employees were covered by the benefit terms:

	<b>IMRF</b>
Retirees and Beneficiaries currently receiving benefits	33
Inactive Plan Members entitled to but not yet receiving benefits	44
Active Plan Members	21
<b>Total</b>	<b>98</b>

**Contributions**

As set by statute, the Regional Office of Education #1’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 #1’s annual contribution rate for calendar year 2015 was 9.62%. For the calendar year ended 2015, the Regional Office of Education #1 contributed \$69,353 to the plan. The Regional Office of Education #1 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 #1’s net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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NOTE 4 – DEFINED-BENEFIT PENSION PLAN (Continued)

**Actuarial Assumptions**

The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

- 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 as of December 31, 2015:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.39%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	2.75-8.15%
Cash Equivalents	1%	2.25%
Total	100%	

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NOTE 4 – DEFINED-BENEFIT PENSION PLAN (Continued)

**Single Discount Rate**

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

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.50%.

**Changes in the Net Pension Liability**

	<b>Total Pension Liability (A)</b>	<b>Plan Fiduciary Net Position (B)</b>	<b>Net Pension Liability (Asset) (A) - (B)</b>
<b>Balances at December 31, 2014</b>	\$ 3,534,879	\$ 3,656,094	\$ (121,215)
<b>Changes for the year:</b>			
Service Cost	77,295	-	77,295
Interest on the Total Pension Liability	261,090	-	261,090
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	241,986	-	241,986
Changes of Assumptions	-	-	-
Contributions - Employer	-	69,353	(69,353)
Contributions - Employees	-	28,955	(28,955)
Net Investment Income	-	20,523	(20,523)
Benefit Payments, including Refunds of Employee Contributions	(191,559)	(191,559)	-
Other (Net Transfer)	-	(2,887)	2,887
Net Changes	388,812	(75,615)	464,427
<b>Balances at December 31, 2015</b>	<b>\$ 3,923,691</b>	<b>\$ 3,580,479</b>	<b>\$ 343,212</b>

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NOTE 4 – DEFINED-BENEFIT PENSION PLAN (Continued)

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

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

	<b>1% Lower 6.50%</b>	<b>Current Discount 7.50%</b>	<b>1% Higher 8.50%</b>
<b>Net Pension Liability/(Asset)</b>	\$ 853,272	\$ 343,212	\$ (66,849)

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

For the year ending June 30, 2016, the Regional Office of Education #1 recognized pension income of \$820,933. At June 30, 2016, the Regional Office of Education #1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b><i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i></b>		
Differences between expected and actual experience	\$ 1,128,393	\$ 61,201
Changes of assumptions	23,400	-
Net difference between projected and actual earnings on pension plan investments	<u>197,456</u>	<u>-</u>
Total Deferred Amounts to be recognized in pension expense in future periods	<u>1,349,249</u>	<u>61,201</u>
Pension Contributions made subsequent to the Measurement Date	<u>19,505</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u><u>\$ 1,368,754</u></u>	<u><u>\$ 61,201</u></u>

\$19,505 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

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NOTE 4 – DEFINED-BENEFIT PENSION PLAN (Concluded)

<b>Year Ending December 31</b>	<b>Net Deferred Outflows of Resources</b>
2016	\$ 716,593
2017	475,287
2018	50,643
2019	45,525
2020	-
Thereafter	-
Total	\$ 1,288,048

NOTE 5 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

The Regional Office of Education #1 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.

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

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NOTE 5 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

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, 2016, 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 #1.

**On-behalf contributions to TRS.** The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #1. For the year ended June 30, 2016, State of Illinois contributions recognized by the Regional Office of Education #1 were based on the State’s proportionate share of the collective net pension liability associated with the Regional Office of Education #1, and the Regional Office of Education #1 recognized revenue and expenditures of \$95,393 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, 2016, were \$839, and are deferred because they were paid after the June 30, 2015, measurement date.

**Federal and special trust fund contributions.** When TRS members are paid from federal and special trust funds administered by the Regional Office of Education #1, there is a statutory requirement for the Regional Office of Education #1 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the State contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2016, the employer pension contribution was 36.06 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2016, salaries totaling \$900 were paid from federal and special trust funds that required employer contributions of \$325. These contributions are deferred because they were paid after the June 30, 2015, measurement date.

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NOTE 5 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

**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 #1 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, 2016, the Regional Office of Education #1 paid no employer ERO contributions.

The Regional Office of Education #1 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, 2016, the Regional Office of Education #1 made no payments to TRS for employer contributions due on salary increases in excess of 6 percent and no payments for sick leave in excess of the normal allotment.

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

At June 30, 2016, the Regional Office of Education #1 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 follow:

Employers proportionate share of the net pension liability	\$ 19,499
State’s proportionate share of the net pension liability associated with the employer	<u>1,164,346</u>
<b>Total</b>	<b><u>\$ 1,183,845</u></b>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, and rolled forward to June 30, 2015. The Regional Office of Education #1’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, 2015, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2015, the Regional Office of Education #1’s proportion was .0000297649 percent, which was a decrease of .000014279 percent from its proportion measured as of June 30, 2014.

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NOTE 5 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

For the year ended June 30, 2016, the Regional Office of Education #1 recognized pension expense of \$95,393 and revenue of \$95,393 for support provided by the State. For the year ended June 30, 2016, the Regional Office of Education #1 recognized pension income of \$23,642. At June 30, 2016, the Regional Office of Education #1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 7	\$ 21
Net difference between projected and actual earnings on pension plan investments	386	683
Change of assumptions	270	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	76,229
Employer contributions subsequent to the measurement date	1,163	-
<b>Total</b>	<b>\$ 1,826</b>	<b>\$ 76,933</b>

\$1,163 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2017	\$ (24,113)
2018	(24,113)
2019	(24,113)
2020	(3,930)
	<b>\$ (76,269)</b>

**Actuarial assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2014 White Collar Table with adjustments as appropriate for TRS experience. The rates are used on a fully-generational basis using projection table MP-2014

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NOTE 5 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

The actuarial assumptions for the years ended June 30, 2015 and 2014 were different. The actuarial assumptions used in the June 30, 2015 valuation were based on the 2015 actuarial experience analysis. The investment return assumption remained at 7.5 percent, salary increase assumptions were lowered, retirement rates were increased, mortality updates were made and other assumptions were revised. 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 from their 2013 levels.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. large cap	18 %	7.53 %
Global equity excluding U.S.	18	7.88
Aggregate bonds	16	1.57
U.S. TIPS	2	2.82
NCREIF	11	5.11
Opportunistic real estate	4	9.09
ARS	8	2.57
Risk parity	8	4.87
Diversified inflation strategy	1	3.26
Private equity	14	12.33
<b>Total</b>	<b>100 %</b>	

**Discount Rate**

At June 30, 2015, the discount rate used to measure the total pension liability was a blended rate of 7.47 percent, which was a change from the June 30, 2014 rate of 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.

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NOTE 5 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Concluded)

Based on those assumptions, TRS’s fiduciary net position at June 30, 2015 was not 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. Despite the subsidy, all projected future payments were not covered, so a slightly lower long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

At June 30, 2014, the discount rate used to measure the total pension liability was 7.50 percent. The discount rate was the same as the actuarially-assumed rate of return on investments that year because TRS’s fiduciary net position and the subsidy provided by Tier II were sufficient to cover all projected benefit payments.

**Sensitivity of the Regional Office of Education #1’s proportionate share of the net pension liability to changes in the discount rate**

The following presents the Regional Office of Education #1’s proportionate share of the net pension liability calculated using the discount rate of 7.47 percent, as well as what the employer’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.47 percent) or 1 percentage point higher (8.47 percent) than the current rate.

	1% Decrease (6.47%)	Current Discount Rate (7.47%)	1% Increase (8.47%)
Employer's proportionate share of the net pension liability	\$ 24,096	\$ 19,499	\$ 15,729

**TRS fiduciary net position**

Detailed information about the TRS’s fiduciary net position as of June 30, 2015, is available in the separately issued TRS *Comprehensive Annual Financial Report*.

NOTE 6 – TEACHER HEALTH INSURANCE SECURITY

The Regional Office of Education #1 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers’ Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the State-administered participating provider option plan or choose from several managed care options. Annuitants who are enrolled in Medicare Parts A and B may be eligible to enroll in Medicare Advantage plans.

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

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NOTE 6 – TEACHER HEALTH INSURANCE SECURITY (Concluded)

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 #1. State contributions are intended to match contributions to the THIS Fund from active members which were 1.07 percent of pay during the year ended June 30, 2016. State of Illinois contributions were \$1,730, and the Regional Office of Education #1 recognized revenue and expenditures of this amount during the year. State contributions intended to match active member contributions during the years ended June 30, 2015 and 2014 were 1.02 and 0.97 percent of pay, respectively. State contributions on behalf of Regional Office of Education #1 employees were \$1,834 and \$1,822, respectively.

**Employer contributions to the THIS Fund.** The Regional Office of Education #1 also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.80 percent during the year ended June 30, 2016. For the year ended June 30, 2016, the Regional Office of Education #1 paid \$1,294 to the THIS Fund, which was 100 percent of the required contribution. For the years ended June 30, 2015 and 2014, the Regional Office paid \$1,367 and \$1,353 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.”

NOTE 7 – RISK MANAGEMENT

The Regional Office of Education #1 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Regional Office of Education #1 has purchased commercial insurance to cover these risks. No losses have been incurred in excess of the amounts covered by insurance over the past three years.

NOTE 8 – OPERATING LEASES

The Regional Office of Education #1 leased office space at 510 Maine Street, Quincy, Illinois, for \$800 per month. The lease term began on June 1, 2015, and ended on June 30, 2016. Office space is also leased in Jacksonville, Illinois at 747 West Lafayette Street and 110 North West Street for \$1,667 and \$500, respectively. The Regional Office leases office equipment for \$17 per month, \$10 per month, \$153 per month, \$18 per month, and \$168 per month with the leases ending on September 7, 2015, July 15, 2016, July 31, 2016, September 7, 2016, and October 1, 2020, respectively. A copier was leased for \$126 per month ending on May 13, 2016. The lease was renewed at the same rate with a new lease period ending on May 13, 2017. A third copier is leased from month to month for \$64 per month. The Regional Office also leases a postage meter for \$66 per month; the lease agreement runs through July 31, 2018.

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NOTE 8 – OPERATING LEASES (Concluded)

Total office lease expense was \$35,600 and equipment lease expense was \$6,747 for the year ended June 30, 2016. Future minimum rentals are as follows for the years ending June 30:

2017	\$ 4,668
2018	2,805
2019	2,082
2020	2,016
2021	<u>504</u>
Total	<u>\$ 12,075</u>

NOTE 9 – INTERFUND ACTIVITY

DUE TO/FROM OTHER FUNDS

Interfund due to/from other fund balances at June 30, 2016, consist of the following individual due to/from other funds in the governmental fund Balance Sheet. These balances were eliminated in the government-wide Statement of Net Position.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 114,982	\$ 4,517
Education Fund	-	110,465
	<u>\$ 114,982</u>	<u>\$ 114,982</u>

TRANSFERS

Interfund transfers in/out to other fund balances at June 30, 2016, consist of the following individual transfers in/out to other funds in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Position. The transfer balances between governmental funds were eliminated in the government-wide Statement of Activities; however transactions between governmental and business-type activities have not been eliminated.

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 830	\$ 12,411
Education Fund	11,581	5
Nonmajor Special Revenue Funds	-	220
Proprietary Fund	225	-
	<u>\$ 12,636</u>	<u>\$ 12,636</u>

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NOTE 10 – DUE TO/FROM OTHER GOVERNMENTS

The Regional Office of Education #1’s General Fund, Education Fund, Proprietary Funds, and Agency Fund have funds due from/to various other governmental units which consist of the following:

Due from Other Governments:	
General Fund	
Local Governments	\$ 30,115
Illinois Department of Public Health	150
Education Fund	
Local Governments	37,716
Illinois State Board of Education	90,291
Illinois Department of Human Services	23,994
Proprietary Funds	
Local Governments	5,221
Agency Fund	
Local Governments	1,235,655
Total Due from Other Governments	<u>\$ 1,423,142</u>
Due to Other Governments:	
Education Fund	
Local Governments	\$ 9,635
Illinois State Board of Education	1,804
Agency Fund	
Local Governments	1,644,099
Total Due to Other Governments	<u>\$ 1,655,538</u>

NOTE 11 – ON-BEHALF PAYMENTS

The State of Illinois paid the following salaries on behalf of the Regional Office of Education #1:

Regional Superintendent Salary	\$ 112,008
Assistant Regional Superintendent Salary	100,812
Regional Superintendent Benefits (includes State-paid insurance)	35,587
Assistant Regional Superintendent Benefits (includes State-paid insurance)	22,452
Teachers’ Health Insurance Security Contribution	<u>1,730</u>
Total	<u>\$ 272,589</u>

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent were calculated based on data provided by the Illinois State Board of Education. These amounts have been recorded in the accompanying governmental fund financial statements as State on-behalf revenue and expenditures.

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NOTE 11 – ON-BEHALF PAYMENTS (Concluded)

Regional Office of Education #1 also recorded \$95,393 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 #1 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	\$	272,589
ROE #1’s share of TRS pension expense		95,393
Total		367,982

Adams County provides office space to the Regional Office of Education #1 at no charge. The Regional Office of Education recognizes this activity by recording an On-behalf payments – Local revenue and On-behalf expenditures – Local expense. For the year ended June 30, 2016, this activity amounted to \$43,973.

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS

The Regional Office of Education #1 allows employees who retire through the Regional Office of Education #1 the option to continue in the Regional Office of Education #1’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, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as the Regional Office of Education #1’s health insurance plan is considered a community-rated plan. In addition, the ROE #1 has no explicit subsidy as defined in GASB Statement No. 45.

NOTE 13 – REGIONAL OFFICE OF EDUCATION CONSOLIDATION

On November 22, 2013, the Illinois State Board of Education adopted a motion pursuant to its obligation under 105 ILCS 5/3A-4(a), which recognizes consolidations agreed to via state board resolutions prior to June 30, 2013. Effective July 1, 2015, the Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1 consolidated Brown, Cass, Morgan, and Scott Counties, formerly in the Regional Office of Education #46 educational service region, into its educational service region.

The Regional Office of Education #1 reclassified the opening fund balance for the following Governmental funds due to the consolidation: General Operations, Fingerprinting, General State Aid, Miscellaneous Fund, School Directory, Lafayette Academy, Dental Sealants Fund, Pike County Film Coop, McKinney Education for Homeless Children, Regional Safe Schools, Title II – Teacher Quality – Leadership, General Education Development, Bus Driver Training, and Institute. The Regional Office of Education #1 also restated the beginning net position in the following Enterprise funds: Local Workshops and Testing Center.

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 – REGIONAL OFFICE OF EDUCATION CONSOLIDATION (Continued)

The Regional Office of Education #1 implemented GASB Statement Nos. 68 and 71 in fiscal year 2015 and, therefore, restated July 1, 2014, net position to recognize deferred outflows or resources, deferred inflows of resources, and net pension liability in the prior year related to IMRF. The Regional Office of Education #1 had no TRS employees for the fiscal year 2015. During the consolidation process, the Regional Office of Education #1 acquired the deferred outflows of resources, deferred inflows of resources, and net pension liability related to IMRF and TRS from Brown/Cass/Morgan/Scott Counties Regional Office of Education #46. The net ending balance of the deferred outflows of resources, deferred inflows of resources, and net pension liability relating to IMRF and TRS in the prior year was \$165,801.

During the consolidation, the Regional Office of Education #1 also acquired capital assets with a value of \$8,000. These capital assets are reflected in the July 1, 2015 balance of the Governmental Activities. The opening net position of the governmental activities on the government-wide Statement of Activities has been restated as follows:

General Fund

Fund Balance - Beginning	\$ 470,263
Effect of consolidation on opening fund balance	231,529
Fund Balance - Beginning, restated	<u><u>\$ 701,792</u></u>

Education Fund

Fund Balance - Beginning	\$ 37,214
Effect of consolidation on opening fund balance	(6,710)
Fund Balance - Beginning, restated	<u><u>\$ 30,504</u></u>

Nonmajor Special Revenue Fund

Fund Balance - Beginning	\$ 108,495
Effect of consolidation on opening fund balance	63,364
Fund Balance - Beginning, restated	<u><u>\$ 171,859</u></u>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 – REGIONAL OFFICE OF EDUCATION CONSOLIDATION (Continued)

Enterprise Funds

Local Workshops

Net Position, Beginning - July 1, 2015	\$ 59,731
Effect of consolidation on opening fund balance	<u>25,056</u>
Net Position, Beginning, restated - July 1, 2015	<u><u>\$ 84,787</u></u>

Testing Center

Net Position, Beginning - July 1, 2015	\$ 6,021
Effect of consolidation on opening fund balance	<u>2,746</u>
Net Position, Beginning, restated - July 1, 2015	<u><u>\$ 8,767</u></u>

Governmental Activities Net Position

Net Position - July 1, 2015	\$ 827,531
Effect of consolidation on opening fund balance	288,183
Effect of recognizing net deferred outflows, inflows, and net pension liability	(165,801)
Capital assets acquired	<u>8,000</u>
Net Position, restated - July 1, 2015	<u><u>\$ 957,913</u></u>

Business-Type Activities Net Position

Net Position - Beginning	\$ 65,752
Effect of consolidation on opening net position	<u>27,802</u>
Net Position - Beginning, restated	<u><u>\$ 93,554</u></u>

During the consolidation, the Regional Office of Education #1 also acquired cash with a value of \$25,056 in Local Workshops and \$2,746 in Nonmajor Enterprise Fund. These changes will appear on the Statement of Cash Flows, Proprietary Funds.

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 – REGIONAL OFFICE OF EDUCATION CONSOLIDATION (Continued)

Local Workshops

Cash Balance, Beginning - July 1, 2015	\$ 58,830
Effect of consolidation on opening cash balance	25,056
Cash Balance, Beginning, restated - July 1, 2015	<u><u>\$ 83,886</u></u>

Nonmajor Enterprise Fund

Cash Balance, Beginning - July 1, 2015	\$ 5,546
Effect of consolidation on opening cash balance	2,746
Cash Balance, Beginning, restated - July 1, 2015	<u><u>\$ 8,292</u></u>

Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1 began operations on July 1, 2015, and was formed from the merger of Adams/Pike Counties Regional Office of Education #1 and Brown/Cass/Morgan/Scott Counties Regional Office of Education #46. The merger resulted from the Illinois State Board of Education’s adoption of a motion pursuant to its obligation under 105 ILCS 5/3A-4(a), which recognized consolidations agreed to via county board resolutions prior to June 30, 2013. The initial opening balances of Adams/Brown/Cass/Morgan/Pike/Scott Counties Regional Office of Education #1’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, as of the beginning of the period, were determined on the basis of the carrying values reported in the separate financial statements of Adams/Pike Counties Regional Office of Education #1 and Brown/Cass/Morgan/Scott Counties Regional Office of Education #46 as of July 1, 2015, as follows:

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 – REGIONAL OFFICE OF EDUCATION CONSOLIDATION (Concluded)

Merger of Operations as of July 1, 2015

	ROE #1	ROE #46	Total	Adjustments (Credit)	Total
Total Current Assets	\$ 687,506	\$ 329,219	\$ 1,016,725	\$ -	\$ 1,016,725
Total Noncurrent Assets	253,087	2,962	256,049	-	256,049
Total Assets	<u>940,593</u>	<u>332,181</u>	<u>1,272,774</u>	-	<u>1,272,774</u>
Deferred Outflows of Resources	<u>83,760</u>	<u>64,281</u>	<u>148,041</u>	-	<u>148,041</u>
Total Current Liabilities	6,278	9,018	15,296	-	15,296
Total Noncurrent Liabilities	-	135,847	135,847	-	135,847
Total Liabilities	<u>6,278</u>	<u>144,865</u>	<u>151,143</u>	-	<u>151,143</u>
Deferred Inflows of Resources	<u>124,792</u>	<u>94,236</u>	<u>219,028</u>	-	<u>219,028</u>
Net Position:					
Investment in Capital Assets	21,094	2,962	24,056	-	24,056
Restricted - Other	377,702	92,016	469,718	-	469,718
Unrestricted	494,487	62,383	556,870	-	556,870
Total Net Postion	<u>\$ 893,283</u>	<u>\$ 157,361</u>	<u>\$ 1,050,644</u>	<u>\$ -</u>	<u>\$ 1,050,644</u>

REQUIRED SUPPLEMENTARY INFORMATION

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY & RELATED RATIOS  
ILLINOIS MUNICIPAL RETIREMENT FUND  
LAST TWO CALENDAR YEARS

Calendar Year Ended December 31,	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>		
Service Cost	\$ 77,295	\$ 57,403
Interest on the Total Pension Liability	261,090	144,347
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	241,986	(188,384)
Changes of Assumptions	-	72,028
Benefit Payments, including Refunds of Employee Contributions	(191,559)	(73,531)
<b>Net Change in Total Pension Liability</b>	<u>388,812</u>	<u>11,863</u>
 <b>Total Pension Liability - Beginning</b>	 <u>3,534,879</u>	 <u>1,931,691</u>
 <b>Total Pension Liability - Ending (A)</b>	 <u>\$ 3,923,691</u>	 <u>\$ 1,943,554</u>
 <b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 69,353	\$ 52,978
Contributions - Employees	28,955	21,872
Net Investment Income	20,523	132,988
Benefit Payments, including Refunds of Employee Contributions	(191,559)	(73,531)
Other (Net Transfer)	(2,887)	(1,755)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(75,615)</u>	<u>132,552</u>
 <b>Plan Fiduciary Net Position - Beginning</b>	 <u>3,656,094</u>	 <u>2,042,995</u>
 <b>Plan Fiduciary Net Position - Ending (B)</b>	 <u>\$ 3,580,479</u>	 <u>\$ 2,175,547</u>
 <b>Net Pension Liability (Asset) - Ending (A) - (B)</b>	 <u>\$ 343,212</u>	 <u>\$ (231,993)</u>
 <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	 91.25%	 111.94%
 <b>Covered Valuation Payroll</b>	 955,269	 486,036
 <b>Net Pension Liability as a Percentage of Covered Valuation Payroll</b>	 35.93%	 -47.73%

**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.

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
 REGIONAL OFFICE OF EDUCATION #1  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 ILLINOIS MUNICIPAL RETIREMENT FUND  
 LAST TWO CALENDAR YEARS

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
2015	\$ 69,253	\$ 69,353	(100)	\$ 643,447	10.78%
2014	49,965	52,978	(3,013)	486,036	10.90%

**Notes to Schedule:**

***Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2015 Contribution Rate\****

**Valuation Date:**

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

**Methods and Assumptions Used to Determine 2015 Contribution Rates:**

<i>Actuarial Cost Method:</i>	Aggregate entry age = normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	28-year closed period
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	4%
<i>Price Inflation:</i>	3%, approximate; No explicit price inflation assumption is used in this valuation.
<i>Salary Increases:</i>	4.40% to 16.00%, including inflation
<i>Investment Rate of Return:</i>	7.50%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
<i>Mortality:</i>	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

***Other Information:***

Notes: There were no benefit changes during the year.

\* Based on Valuation Assumptions used in the December 31, 2013, 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.

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
FOR THE YEAR ENDED JUNE 30, 2016 \*

	FY15*	FY14*
Employer's proportion of the net pension liability	0.0000297649%	0.0000411928%
Employer's proportionate share of the net pension liability	\$ 19,499	\$ 25,069
State's proportionate share of the net pension liability associated with the employer	1,164,346	1,149,995
<b>Total</b>	<b>\$ 1,183,845</b>	<b>\$ 1,175,064</b>
Employer's covered-employee payroll	\$ 180,642	\$ 187,869
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	10.8%	13.3%
Plan fiduciary net position as a percentage of the total pension liability	41.5%	43.0%

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
FOR THE YEAR ENDED JUNE 30, 2016 †

	FY15	FY14
Statutorily-required contribution	\$ 1,263	\$ 1,043
Contributions in relation to the statutorily-required contribution	1,163	1,062
Contribution deficiency (excess)	\$ 100	\$ (19)
Employer's covered-employee payroll	\$ 247,109	\$ 180,642
Contributions as a percentage of covered-employee payroll	0.47%	0.59%

† The information in both schedules will accumulate until a full 10-year trend is presented as required by Statement No. 68.

**Notes to This Required Supplementary Information**  
*Changes of assumptions*

Amounts reported in 2015 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 salary increases that vary by service credit. In 2014, assumptions used were an investment rate of return of 7.5 percent, an inflation rate of 3.0 percent, and real return of 4.5 percent, and salary increases of 5.75 percent.

OTHER SUPPLEMENTARY INFORMATION

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
COMBINING SCHEDULE OF ACCOUNTS  
GENERAL FUND  
JUNE 30, 2016

	General Operations	Fingerprinting	General State Aid	Miscellaneous Fund	Copier Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 140,769	\$ 38,959	\$ 574,549	\$ 91,418	\$ 14,962
Accounts receivable	-	-	-	2,702	-
Due from other funds	110,465	-	-	4,517	-
Due from other governments					
Local	29,554	561	-	-	-
State	-	-	-	-	-
Investments	-	-	64,989	-	-
<b>TOTAL ASSETS</b>	<b>\$ 280,788</b>	<b>\$ 39,520</b>	<b>\$ 639,538</b>	<b>\$ 98,637</b>	<b>\$ 14,962</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 4,112	\$ 1,009	\$ 35,001	\$ 232	\$ -
Due to other funds	4,517	-	-	-	-
Unearned revenue	30,507	-	-	-	-
<b>Total liabilities</b>	<b>39,136</b>	<b>1,009</b>	<b>35,001</b>	<b>232</b>	<b>-</b>
<b>FUND BALANCE</b>					
Assigned	-	38,511	-	-	-
Unassigned	241,652	-	604,537	98,405	14,962
<b>Total fund balance</b>	<b>241,652</b>	<b>38,511</b>	<b>604,537</b>	<b>98,405</b>	<b>14,962</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 280,788</b>	<b>\$ 39,520</b>	<b>\$ 639,538</b>	<b>\$ 98,637</b>	<b>\$ 14,962</b>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
COMBINING SCHEDULE OF ACCOUNTS  
GENERAL FUND  
JUNE 30, 2016

	Postage Fund	School Directory	Lafayette Academy	Dental Sealants Fund	Pike County Film Coop	Totals
<b>ASSETS</b>						
Cash and cash equivalents	\$ 5,732	\$ 16,335	\$ 3,672	\$ 20,295	\$ 7,397	\$ 914,088
Accounts receivable	-	-	-	-	-	2,702
Due from other funds	-	-	-	-	-	114,982
Due from other governments						
Local	-	-	-	-	-	30,115
State	-	-	-	150	-	150
Investments	-	-	-	-	-	64,989
<b>TOTAL ASSETS</b>	<b>\$ 5,732</b>	<b>\$ 16,335</b>	<b>\$ 3,672</b>	<b>\$ 20,445</b>	<b>\$ 7,397</b>	<b>\$ 1,127,026</b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ 41,354
Due to other funds	-	-	-	-	-	4,517
Unearned revenue	-	-	-	-	-	30,507
<b>Total liabilities</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,378</b>
<b>FUND BALANCE</b>						
Assigned	-	15,335	3,672	20,445	7,397	85,360
Unassigned	5,732	-	-	-	-	965,288
<b>Total fund balance</b>	<b>5,732</b>	<b>15,335</b>	<b>3,672</b>	<b>20,445</b>	<b>7,397</b>	<b>1,050,648</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 5,732</b>	<b>\$ 16,335</b>	<b>\$ 3,672</b>	<b>\$ 20,445</b>	<b>\$ 7,397</b>	<b>\$ 1,127,026</b>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GENERAL FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2016

	General Operations	Fingerprinting	General State Aid	Miscellaneous Fund	Copier Fund
<b>REVENUES</b>					
Local sources	\$ 340,629	\$ 34,578	\$ -	\$ 49,979	\$ 200
On-behalf payments - Local	43,973	-	-	-	-
State sources	-	-	746,221	-	-
On-behalf payments - State	-	-	272,589	-	-
Investment earnings	431	160	2,159	673	89
Total Revenues	<u>385,033</u>	<u>34,738</u>	<u>1,020,969</u>	<u>50,652</u>	<u>289</u>
<b>EXPENDITURES</b>					
Salaries and benefits	219,895	-	240,789	38,780	-
Pension expense	9,457	-	25,474	2,101	-
Purchased services	27,380	23,876	51,882	-	-
Supplies and materials	2,234	14	3,848	-	448
Other objects	2,267	-	-	-	-
Capital outlay	-	-	-	1,993	-
Payments to governments	-	-	171,058	-	-
On-behalf expenditures - Local	43,973	-	-	-	-
On-behalf expenditures - State	-	-	272,589	-	-
Total Expenditures	<u>305,206</u>	<u>23,890</u>	<u>765,640</u>	<u>42,874</u>	<u>448</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>79,827</u>	<u>10,848</u>	<u>255,329</u>	<u>7,778</u>	<u>(159)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	830	-
Transfers out	(2,247)	-	(10,164)	-	-
Total Other Financing Sources (Uses)	<u>(2,247)</u>	<u>-</u>	<u>(10,164)</u>	<u>830</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>77,580</u>	<u>10,848</u>	<u>245,165</u>	<u>8,608</u>	<u>(159)</u>
<b>FUND BALANCE - BEGINNING</b>					
Restated (See Note 13)	<u>164,072</u>	<u>27,663</u>	<u>359,372</u>	<u>89,797</u>	<u>15,121</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 241,652</u>	<u>\$ 38,511</u>	<u>\$ 604,537</u>	<u>\$ 98,405</u>	<u>\$ 14,962</u>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GENERAL FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2016

	Postage Fund	School Directory	Lafayette Academy	Dental Sealants Fund	Pike County Film Coop	Totals
<b>REVENUES</b>						
Local sources	\$ 1,818	\$ 10,555	\$ 3,083	\$ -	\$ -	\$ 440,842
On-behalf payments - Local	-	-	-	-	-	43,973
State sources	-	-	-	4,150	-	750,371
On-behalf payments - State	-	-	-	-	-	272,589
Investment earnings	29	81	3	-	40	3,665
Total Revenues	<u>1,847</u>	<u>10,636</u>	<u>3,086</u>	<u>4,150</u>	<u>40</u>	<u>1,511,440</u>
<b>EXPENDITURES</b>						
Salaries and benefits	-	-	-	-	-	499,464
Pension expense	-	-	-	-	-	37,032
Purchased services	1,784	4,552	928	1,629	-	112,031
Supplies and materials	711	-	-	-	-	7,255
Other objects	-	3,341	-	-	-	5,608
Capital outlay	-	-	-	-	-	1,993
Payments to governments	-	-	-	-	-	171,058
On-behalf expenditures - Local	-	-	-	-	-	43,973
On-behalf expenditures - State	-	-	-	-	-	272,589
Total Expenditures	<u>2,495</u>	<u>7,893</u>	<u>928</u>	<u>1,629</u>	<u>-</u>	<u>1,151,003</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(648)</u>	<u>2,743</u>	<u>2,158</u>	<u>2,521</u>	<u>40</u>	<u>360,437</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	830
Transfers out	-	-	-	-	-	(12,411)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,581)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(648)</u>	<u>2,743</u>	<u>2,158</u>	<u>2,521</u>	<u>40</u>	<u>348,856</u>
<b>FUND BALANCE - BEGINNING</b>						
Restated (See Note 13)	<u>6,380</u>	<u>12,592</u>	<u>1,514</u>	<u>17,924</u>	<u>7,357</u>	<u>701,792</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 5,732</u>	<u>\$ 15,335</u>	<u>\$ 3,672</u>	<u>\$ 20,445</u>	<u>\$ 7,397</u>	<u>\$ 1,050,648</u>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND  
JUNE 30, 2016

	Administrators Academy	Regional Office of Prevention Effectiveness Services (ROPES)	Truants Alternative and Optional Education	ROE/ISC Operations	State Free Lunch and Breakfast	National School Lunch Program
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments:						
Local	-	-	-	-	-	-
State	-	-	32,000	42,945	321	-
Federal	-	6,223	-	-	-	4,481
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 6,223</b>	<b>\$ 32,000</b>	<b>\$ 42,945</b>	<b>\$ 321</b>	<b>\$ 4,481</b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	6,151	17,981	42,923	-	-
Due to other governments:						
Local	-	72	-	-	-	-
State	-	-	-	22	-	-
Federal	-	-	-	-	321	-
Unearned revenue	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>6,223</b>	<b>17,981</b>	<b>42,945</b>	<b>321</b>	<b>-</b>
<b>FUND BALANCE</b>						
Restricted	-	-	14,019	-	-	4,481
<b>Total Fund Balance</b>	<b>-</b>	<b>-</b>	<b>14,019</b>	<b>-</b>	<b>-</b>	<b>4,481</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 6,223</b>	<b>\$ 32,000</b>	<b>\$ 42,945</b>	<b>\$ 321</b>	<b>\$ 4,481</b>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND  
JUNE 30, 2016

	National School Breakfast Program	McKinney Education for Homeless Children	Regional Safe Schools	Child and Family Connections	Tracy National Institute for School Leadership	Schools Against Fearful Environment (SAFE)
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ 2,196	\$ -	\$ 35,586	\$ -
Due from other governments:						
Local	-	-	-	-	-	-
State	-	-	7,367	17,771	-	-
Federal	1,477	4,336	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,477</b>	<b>\$ 4,336</b>	<b>\$ 9,563</b>	<b>\$ 17,771</b>	<b>\$ 35,586</b>	<b>\$ -</b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	2,353	-	17,771	-	-
Due to other governments:						
Local	-	-	9,563	-	-	-
State	-	-	-	-	-	-
Federal	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>2,353</b>	<b>9,563</b>	<b>17,771</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE</b>						
Restricted	1,477	1,983	-	-	35,586	-
<b>Total Fund Balance</b>	<b>1,477</b>	<b>1,983</b>	<b>-</b>	<b>-</b>	<b>35,586</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,477</b>	<b>\$ 4,336</b>	<b>\$ 9,563</b>	<b>\$ 17,771</b>	<b>\$ 35,586</b>	<b>\$ -</b>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND  
JUNE 30, 2016

	Regional Safe Schools Cooperative	Math Blast	Title II - Teacher Quality - Leadership	Early Childhood Education Initiative	Title I - School Improvement and Accountability	Reading: A Healthy Start	Totals
<b>ASSETS</b>							
Cash and cash equivalents	\$ 24,373	\$ -	\$ -	\$ 18,724	\$ -	\$ -	\$ 80,879
Due from other governments:							
Local	-	-	-	10,333	-	-	10,333
State	-	-	-	-	-	-	100,404
Federal	-	-	1,700	-	23,047	-	41,264
<b>TOTAL ASSETS</b>	<b>\$ 24,373</b>	<b>\$ -</b>	<b>\$ 1,700</b>	<b>\$ 29,057</b>	<b>\$ 23,047</b>	<b>\$ -</b>	<b>\$ 232,880</b>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ 230	\$ -	\$ -	\$ 230
Due to other funds	-	-	1,700	-	21,586	-	110,465
Due to other governments:							
Local	-	-	-	-	-	-	9,635
State	-	-	-	-	-	-	22
Federal	-	-	-	-	1,461	-	1,782
Unearned revenue	24,373	-	-	-	-	-	24,373
<b>Total Liabilities</b>	<b>24,373</b>	<b>-</b>	<b>1,700</b>	<b>230</b>	<b>23,047</b>	<b>-</b>	<b>146,507</b>
<b>FUND BALANCE</b>							
Restricted	-	-	-	28,827	-	-	86,373
<b>Total Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,827</b>	<b>-</b>	<b>-</b>	<b>86,373</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 24,373</b>	<b>\$ -</b>	<b>\$ 1,700</b>	<b>\$ 29,057</b>	<b>\$ 23,047</b>	<b>\$ -</b>	<b>\$ 232,880</b>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
EDUCATION FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2016

	Administrators Academy	Regional Office of Prevention Effectiveness Services (ROPES)	Truants Alternative and Optional Education	ROE/ISC Operations	State Free Lunch and Breakfast	National School Lunch Program
<b>REVENUES</b>						
Local sources	\$ -	\$ -	\$ 14,000	\$ -	\$ -	\$ -
State sources	-	-	182,372	42,945	877	-
Federal sources	-	63,727	-	-	-	55,760
Investment earnings	-	-	19	-	-	-
Total Revenues	<u>-</u>	<u>63,727</u>	<u>196,391</u>	<u>42,945</u>	<u>877</u>	<u>55,760</u>
<b>EXPENDITURES</b>						
Salaries and benefits	-	51,124	144,577	39,494	-	-
Pension expense	-	2,905	7,234	769	-	-
Purchased services	-	8,083	30,235	1,707	-	-
Supplies and materials	-	1,615	326	975	-	-
Other objects	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Payments to other governments	-	-	-	-	877	51,279
Total Expenditures	<u>-</u>	<u>63,727</u>	<u>182,372</u>	<u>42,945</u>	<u>877</u>	<u>51,279</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>14,019</u>	<u>-</u>	<u>-</u>	<u>4,481</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(5)	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(5)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(5)</u>	<u>-</u>	<u>14,019</u>	<u>-</u>	<u>-</u>	<u>4,481</u>
<b>FUND BALANCE - BEGINNING</b>						
Restated (See Note 13)	5	-	-	-	-	-
<b>FUND BALANCE - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,019</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,481</u>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
EDUCATION FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2016

	National School Breakfast Program	McKinney Education for Homeless Children	Regional Safe Schools	Child and Family Connections	Tracy National Institute for School Leadership	Schools Against Fearful Environment (SAFE)
<b>REVENUES</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 38,575	\$ 40,655
State sources	-	-	81,040	232,135	-	-
Federal sources	19,159	35,670	-	178,406	-	-
Investment earnings	-	-	-	-	70	11
Total Revenues	<u>19,159</u>	<u>35,670</u>	<u>81,040</u>	<u>410,541</u>	<u>38,645</u>	<u>40,666</u>
<b>EXPENDITURES</b>						
Salaries and benefits	-	21,747	42,427	298,108	5,002	-
Pension expense	-	1,482	1,226	17,279	-	-
Purchased services	-	3,834	-	71,857	33,974	-
Supplies and materials	-	2,161	-	420	195	-
Other objects	-	-	-	18,577	-	-
Capital outlay	-	-	-	4,300	-	-
Payments to other governments	17,682	-	37,387	-	-	50,000
Total Expenditures	<u>17,682</u>	<u>29,224</u>	<u>81,040</u>	<u>410,541</u>	<u>39,171</u>	<u>50,000</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>1,477</u>	<u>6,446</u>	<u>-</u>	<u>-</u>	<u>(526)</u>	<u>(9,334)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	560	-	-	9,334
Transfers out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>560</u>	<u>-</u>	<u>-</u>	<u>9,334</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>1,477</u>	<u>6,446</u>	<u>560</u>	<u>-</u>	<u>(526)</u>	<u>-</u>
<b>FUND BALANCE - BEGINNING</b>						
Restated (See Note 13)	<u>-</u>	<u>(4,463)</u>	<u>(560)</u>	<u>-</u>	<u>36,112</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,477</u>	<u>\$ 1,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,586</u>	<u>\$ -</u>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
EDUCATION FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2016

	Regional Safe Schools Cooperative	Math Blast	Title II - Teacher Quality - Leadership	Early Childhood Education Initiative	Title I - School Improvement and Accountability	Reading: A Healthy Start	Totals
<b>REVENUES</b>							
Local sources	\$ -	\$ 500	\$ -	\$ 57,772	\$ -	\$ 3,000	\$ 154,502
State sources	-	-	-	-	-	-	539,369
Federal sources	3,007	-	2,601	-	62,870	-	421,200
Investment earnings	-	-	-	117	-	9	226
Total Revenues	<u>3,007</u>	<u>500</u>	<u>2,601</u>	<u>57,889</u>	<u>62,870</u>	<u>3,009</u>	<u>1,115,297</u>
<b>EXPENDITURES</b>							
Salaries and benefits	-	-	201	13,136	27,118	-	642,934
Pension expense	-	-	-	287	337	-	31,519
Purchased services	3,007	-	2,400	6,610	32,929	3,009	197,645
Supplies and materials	-	500	-	10,126	2,486	-	18,804
Other objects	-	-	-	-	-	-	18,577
Capital outlay	-	-	-	-	-	-	4,300
Payments to other governments	-	-	-	-	-	-	157,225
Total Expenditures	<u>3,007</u>	<u>500</u>	<u>2,601</u>	<u>30,159</u>	<u>62,870</u>	<u>3,009</u>	<u>1,071,004</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,730</u>	<u>-</u>	<u>-</u>	<u>44,293</u>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	-	-	1,687	-	-	-	11,581
Transfers out	-	-	-	-	-	-	(5)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,576</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>1,687</u>	<u>27,730</u>	<u>-</u>	<u>-</u>	<u>55,869</u>
<b>FUND BALANCE - BEGINNING</b>							
Restated (See Note 13)	<u>-</u>	<u>-</u>	<u>(1,687)</u>	<u>1,097</u>	<u>-</u>	<u>-</u>	<u>30,504</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,373</u>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNT  
REGIONAL OFFICE OF PREVENTION EFFECTIVENESS SERVICES (ROPES)  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUE</b>			
Federal sources	\$ 66,773	\$ 66,773	\$ 63,727
Total Revenue	<u>66,773</u>	<u>66,773</u>	<u>63,727</u>
<b>EXPENDITURES</b>			
Salaries and benefits	54,976	54,976	51,124
Pension expense	-	-	2,905
Purchased services	9,422	9,422	8,083
Supplies and materials	2,375	2,375	1,615
Total Expenditures	<u>66,773</u>	<u>66,773</u>	<u>63,727</u>
 NET CHANGE IN FUND BALANCE	 -	 -	 -
 FUND BALANCE - BEGINNING	 <u>-</u>	 <u>-</u>	 <u>-</u>
 FUND BALANCE - ENDING	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNT  
TRUANTS ALTERNATIVE AND OPTIONAL EDUCATION  
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUE</b>			
Local sources	\$ -	\$ -	\$ 14,000
State sources	182,372	182,372	182,372
Interest income	-	-	19
Total Revenue	<u>182,372</u>	<u>182,372</u>	<u>196,391</u>
<b>EXPENDITURES</b>			
Salaries and benefits	150,918	150,918	144,577
Pension expense	-	-	7,234
Purchased services	28,478	28,478	30,235
Supplies and materials	2,976	2,976	326
Total Expenditures	<u>182,372</u>	<u>182,372</u>	<u>182,372</u>
 NET CHANGE IN FUND BALANCE	 -	 -	 14,019
 FUND BALANCE - BEGINNING	 <u>-</u>	 <u>-</u>	 <u>-</u>
 FUND BALANCE - ENDING	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 14,019</u>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNT  
ROE/ISC OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 82,031	\$ 82,112	\$ 42,945
Total Revenue	<u>82,031</u>	<u>82,112</u>	<u>42,945</u>
EXPENDITURES			
Salaries and benefits	64,108	64,108	39,494
Pension expense	-	-	769
Purchased services	16,923	17,004	1,707
Supplies and materials	1,000	1,000	975
Total Expenditures	<u>82,031</u>	<u>82,112</u>	<u>42,945</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNT  
McKINNEY EDUCATION FOR HOMELESS CHILDREN  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
<b>REVENUE</b>			
Federal sources	\$ 28,123	\$ 31,218	\$ 35,670
Total Revenue	<u>28,123</u>	<u>31,218</u>	<u>35,670</u>
<b>EXPENDITURES</b>			
Salaries and benefits	22,759	24,759	21,747
Pension expense	-	-	1,482
Purchased services	3,584	4,679	3,834
Supplies and materials	1,780	1,780	2,161
Total Expenditures	<u>28,123</u>	<u>31,218</u>	<u>29,224</u>
NET CHANGE IN FUND BALANCE	-	-	6,446
FUND BALANCE (DEFICIT) - BEGINNING, Restated (See Note 13)	<u>-</u>	<u>-</u>	<u>(4,463)</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,983</u>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNT  
REGIONAL SAFE SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUE</b>			
State sources	\$ 81,040	\$ 81,040	\$ 81,040
Total Revenue	<u>81,040</u>	<u>81,040</u>	<u>81,040</u>
<b>EXPENDITURES</b>			
Salaries and benefits	43,653	43,653	42,427
Pension expense	-	-	1,226
Payments to other governments	<u>37,387</u>	<u>37,387</u>	<u>37,387</u>
Total Expenditures	<u>81,040</u>	<u>81,040</u>	<u>81,040</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES:</b>			
Transfer in	<u>-</u>	<u>-</u>	<u>560</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>560</u>
<b>NET CHANGE IN FUND BALANCE</b>			
	-	-	560
<b>FUND BALANCE (DEFICIT) - BEGINNING, Restated (See Note 13)</b>			
	<u>-</u>	<u>-</u>	<u>(560)</u>
<b>FUND BALANCE - ENDING</b>			
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
 REGIONAL OFFICE OF EDUCATION #1  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNT  
 CHILD AND FAMILY CONNECTIONS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
<b>REVENUE</b>			
State sources	\$ 391,023	\$ 441,754	\$ 232,135
Federal sources	-	-	178,406
Total Revenue	<u>391,023</u>	<u>441,754</u>	<u>410,541</u>
<b>EXPENDITURES</b>			
Salaries and benefits	289,383	322,411	298,108
Pension expense	-	-	17,279
Purchased services	79,440	73,432	71,857
Supplies and materials	18,600	7,500	420
Other objects	-	33,411	18,577
Capital outlay	<u>3,600</u>	<u>5,000</u>	<u>4,300</u>
Total Expenditures	<u>391,023</u>	<u>441,754</u>	<u>410,541</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
 REGIONAL OFFICE OF EDUCATION #1  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNT  
 REGIONAL SAFE SCHOOLS COOPERATIVE  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
REVENUE			
Federal sources	\$ 38,337	\$ 38,337	\$ 3,007
Total Revenue	<u>38,337</u>	<u>38,337</u>	<u>3,007</u>
EXPENDITURES			
Purchased services	<u>38,337</u>	<u>38,337</u>	<u>3,007</u>
Total Expenditures	<u>38,337</u>	<u>38,337</u>	<u>3,007</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Revenues and expenditures are less than budgeted amounts because the grant ran from November 30, 2015, through August 31, 2016; only part of the grant was received and expended in the current fiscal year.

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNT  
TITLE II - TEACHER QUALITY - LEADERSHIP  
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 4,009	\$ 4,009	\$ 2,601
Total Revenue	<u>4,009</u>	<u>4,009</u>	<u>2,601</u>
EXPENDITURES			
Salaries and benefits	201	201	201
Purchased services	3,808	3,808	2,400
Total Expenditures	<u>4,009</u>	<u>4,009</u>	<u>2,601</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING USES:			
Transfer in	-	-	1,687
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>1,687</u>
NET CHANGE IN FUND BALANCE	-	-	1,687
FUND BALANCE (DEFICIT) - BEGINNING, Restated (See Note 13)	<u>-</u>	<u>-</u>	<u>(1,687)</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNT  
TITLE I - SCHOOL IMPROVEMENT AND ACCOUNTABILITY  
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 70,000	\$ 107,314	\$ 62,870
Total Revenue	<u>70,000</u>	<u>107,314</u>	<u>62,870</u>
EXPENDITURES			
Salaries and benefits	28,225	54,596	27,118
Pension Expense	-	-	337
Purchased services	40,025	50,035	32,929
Supplies and materials	1,750	2,683	2,486
Total Expenditures	<u>70,000</u>	<u>107,314</u>	<u>62,870</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2016

	General Education Development	Tracy Foundation General Education Development	Bus Driver Training	Institute	Totals
<b>ASSETS</b>					
Cash and cash equivalents	\$ 32,481	\$ -	\$ 24,303	\$ 133,867	\$ 190,651
Accounts receivable	-	-	2,206	-	2,206
Investments	-	-	-	3,293	3,293
<b>TOTAL ASSETS</b>	<b><u>\$ 32,481</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 26,509</u></b>	<b><u>\$ 137,160</u></b>	<b><u>\$ 196,150</u></b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ 56	\$ -	\$ 56
Total Liabilities	<u>-</u>	<u>-</u>	<u>56</u>	<u>-</u>	<u>56</u>
<b>FUND BALANCE</b>					
Restricted	<u>32,481</u>	<u>-</u>	<u>26,453</u>	<u>137,160</u>	<u>196,094</u>
Total Fund Balance	<u>32,481</u>	<u>-</u>	<u>26,453</u>	<u>137,160</u>	<u>196,094</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 32,481</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 26,509</u></b>	<b><u>\$ 137,160</u></b>	<b><u>\$ 196,150</u></b>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	General Education Development	Tracy Foundation General Education Development	Bus Driver Training	Institute	Totals
<b>REVENUES</b>					
Local sources	\$ 4,510	\$ -	\$ 4,941	\$ 48,256	\$ 57,707
State sources	-	-	1,566	-	1,566
Investment earnings	-	14	109	449	572
Total Revenues	<u>4,510</u>	<u>14</u>	<u>6,616</u>	<u>48,705</u>	<u>59,845</u>
<b>EXPENDITURES</b>					
Purchased services	1	-	3,335	-	3,336
Supplies and materials	444	-	-	111	555
Other objects	-	8,452	511	22,536	31,499
Total Expenditures	<u>445</u>	<u>8,452</u>	<u>3,846</u>	<u>22,647</u>	<u>35,390</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>4,065</u>	<u>(8,438)</u>	<u>2,770</u>	<u>26,058</u>	<u>24,455</u>
<b>OTHER FINANCING USES</b>					
Transfers out	-	(220)	-	-	(220)
Total Other Financing Uses	<u>-</u>	<u>(220)</u>	<u>-</u>	<u>-</u>	<u>(220)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>4,065</u>	<u>(8,658)</u>	<u>2,770</u>	<u>26,058</u>	<u>24,235</u>
<b>FUND BALANCE - BEGINNING, Restated (See Note 13)</b>	<u>28,416</u>	<u>8,658</u>	<u>23,683</u>	<u>111,102</u>	<u>171,859</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 32,481</u>	<u>\$ -</u>	<u>\$ 26,453</u>	<u>\$ 137,160</u>	<u>\$ 196,094</u>

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
 REGIONAL OFFICE OF EDUCATION #1  
 STATEMENT OF NET POSITION  
 NONMAJOR PROPRIETARY FUND  
 JUNE 30, 2016

	Business-Type Activities - Enterprise Fund	
	Testing Center	Total
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 14,484	\$ 14,484
Due from other governments - Local	1,441	1,441
TOTAL ASSETS	\$ 15,925	\$ 15,925
 <b>NET POSITION</b>		
Unrestricted	\$ 15,925	\$ 15,925
TOTAL NET POSITION	\$ 15,925	\$ 15,925

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
NONMAJOR PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Fund	
	Testing Center	Total
OPERATING REVENUES		
Charges for services	\$ 7,304	\$ 7,304
Total Operating Revenues	7,304	7,304
OPERATING EXPENSES		
Supplies and materials	450	450
Total Operating Expenses	450	450
OPERATING INCOME (LOSS)	6,854	6,854
NONOPERATING REVENUE		
Transfers in	220	220
Investment earnings	84	84
Total Nonoperating Revenue	304	304
CHANGE IN NET POSITION	7,158	7,158
TOTAL NET POSITION - BEGINNING, (Restated, See Note 13)	8,767	8,767
TOTAL NET POSITION - ENDING	\$ 15,925	\$ 15,925

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
REGIONAL OFFICE OF EDUCATION #1  
STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities Enterprise Fund	
	Testing Center	Total
Cash Flows from Operating Activities:		
Receipts from customers	\$ 6,338	\$ 6,338
Payments to suppliers and providers of goods and services	(450)	(450)
Net cash provided by operating activities	5,888	5,888
Cash Flows from Noncapital Financing Activities:		
Cash transfers from other funds	220	220
Net Cash Provided by Noncapital Financing Activities	220	220
Cash Flows from Investing Activities:		
Interest income	84	84
Net Cash Provided by Investing Activities	84	84
Net increase in cash and cash equivalents	6,192	6,192
Cash and cash equivalents - Beginning, Restated (See Note 13)	8,292	8,292
Cash and cash equivalents - Ending	\$ 14,484	\$ 14,484
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 6,854	\$ 6,854
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease in assets:		
Due from other governments	(966)	(966)
Net cash provided by operating activities	\$ 5,888	\$ 5,888

ADAMS/BROWN/CASS/MORGAN/PIKE/SCOTT COUNTIES  
 REGIONAL OFFICE OF EDUCATION #1  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUND  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>PIKE COUNTY SCHOOL FACILITY</u>				
<u>OCCUPATION TAX</u>				
ASSETS				
Cash and cash equivalents	\$ 15	\$ 2,768,819	\$ 2,360,390	\$ 408,444
Due from other governments	<u>441,842</u>	<u>1,235,655</u>	<u>441,842</u>	<u>1,235,655</u>
Total Assets	<u>\$ 441,857</u>	<u>\$ 4,004,474</u>	<u>\$ 2,802,232</u>	<u>\$ 1,644,099</u>
LIABILITIES				
Due to other governments	<u>\$ 441,857</u>	<u>\$ 4,004,474</u>	<u>\$ 2,802,232</u>	<u>\$ 1,644,099</u>
Total Liabilities	<u>\$ 441,857</u>	<u>\$ 4,004,474</u>	<u>\$ 2,802,232</u>	<u>\$ 1,644,099</u>