State of Illinois
BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2017

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

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

For the Year Ended June 30, 2017

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REGIONAL OFFICE OF EDUCATION NO. 3

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BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

OFFICIALS

For the Year Ended June 30, 2017

Regional Superintendent (Current and During the Audit Period)	Ms. Julie Wollerman
Assistant Regional Superintendent (Current, Active Effective July 1, 2017)	Ms. Annette Hartlieb
Assistant Regional Superintendent (During the Audit Period)	Ms. Marchelle Kassebaum

Offices are located at:

207 N. 2nd Street
Greenville, IL 62246

101 South Main Street
Taylorville, IL 62568

101 N. 4th, Room 204
Effingham, IL 62401

1500 W. Jefferson St.
Vandalia, IL 62471

203 South Main Street
Hillsboro, IL 62049

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

FINANCIAL REPORT SUMMARY

For the Year Ended June 30, 2017

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

AUDITORS' REPORT

The auditors' reports do not contain scope limitations, disclaimers or other significant non-standard language.

SUMMARY OF AUDIT FINDINGS

Number of	This Audit	Prior Audit
Audit findings	3	2
Repeated audit findings	2	1
Prior recommendations implemented or not repeated	0	0

SUMMARY OF FINDINGS AND RESPONSES

Item No.	Page	Description	Finding Type
		FINDINGS (*GOVERNMENT AUDITING STANDARDS*)	
2017-001	10a	Controls over Financial Statement Preparation	Material Weakness
2017-002	10c	Internal Controls over Payroll and Grant Compliance	Significant Deficiency/ Noncompliance
2017-003	10e	Obligations not Properly Reported on Expenditure Reports	Significant Deficiency/ Noncompliance
		PRIOR AUDIT FINDINGS NOT REPEATED (*GOVERNMENT AUDITING STANDARDS*)	
		None	

EXIT CONFERENCE

No formal exit conference was held with the management of Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3. The findings and recommendations in this report were discussed with management of the Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3 at various informal meetings. Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's responses to the recommendations and corrective action plans were provided by Julie Wollerman, Regional Superintendent, in an email dated February 15, 2018.

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

FINANCIAL STATEMENT REPORT SUMMARY

For the Year Ended June 30, 2017

The audit of the accompanying basic financial statements of the Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3 was performed by Doehring, Winders & Co. LLP.

Based on their audit, the auditors expressed an unmodified opinion on the Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's basic financial statements.

DOEHRING, WINDERS & CO. LLP
Certified Public Accountants
1601 LAFAYETTE AVENUE
MATTOON, ILLINOIS 61938

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 Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3'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 Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3, as of June 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the Employer's Proportionate Share of the Net Pension Liability - Teacher's Retirement System of the State of Illinois, Schedule of Employer Contributions - Teacher's Retirement System of the State of Illinois, Schedule of Employer Contributions - Illinois Municipal Retirement Fund, and Schedule of Changes in the Net Pension Liability and Related Ratios - Illinois Municipal Retirement Fund on pages 52 through 54 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 Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3'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 April 30, 2018, on our consideration of the Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's 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 Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Mattoon, Illinois
April 30, 2018

DOEHRING, WINDERS & CO. LLP
Certified Public Accountants
1601 LAFAYETTE AVENUE
MATTOON, ILLINOIS 61938

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 Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's basic financial statements, and have issued our report thereon dated April 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3'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 Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's internal control. Accordingly, we do not express an opinion on the effectiveness of Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2017-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2017-002 and 2017-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2017-002 and 2017-003.

Regional Office of Education No. 3's Responses to Findings

Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3'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 result of that testing, and not to provide an opinion on the effectiveness of the Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Mattoon, Illinois
April 30, 2018

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements in accordance with GAAP

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	Yes
• Significant deficiency identified?	Yes
• Noncompliance material to financial statements noted?	No

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2017

Section II - Financial Statement Findings

FINDING NO. 2017-001 - Controls Over Financial Statement Preparation (Repeat of Findings 16-001 and 15-001)

Criteria/Specific Requirement:

The Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3 (ROE) is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The ROE'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 net position of governmental activities in the Statement of Activities. In addition, the Statement requires information about the government's major and nonmajor funds in the aggregate to be provided in the fund financial statements.

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

Condition:

The ROE did not have sufficient internal controls over the financial reporting process. The ROE maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual and other applicable entries for financial statement purposes. While the ROE maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of GAAP basis 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.

- The ROE's financial information required significant adjusting entries to present the financial statements in accordance with generally accepted accounting principles. This included entries to record transfers and an entry to beginning fund balance.

Section II - Financial Statement Findings (Continued)

FINDING NO. 2017-001 - Controls Over Financial Statement Preparation (Repeat of Findings 16-001 and 15-001) (Continued)

Condition (Continued):

- The ROE did not have adequate controls to record and report the ROE's net accrued pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP. Proposed adjusting entries by auditors were approved and accepted by the ROE's management.

Effect:

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

Cause:

According to ROE's management, they did not have adequate funding to hire and/or train their accounting personnel in order to maintain a system of internal control over the preparation of financial statements in accordance with GAAP.

According to ROE's management, the complex requirements of GASB Statements No. 68 and No. 71 require additional time and training before the ROE can fully implement the requirements on its own.

Auditors’ Recommendation:

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

Management's Response:

The ROE will continue to evaluate the time, training, and money required to implement the comprehensive preparation procedures required to meet the standard set by audit for the financial statements. Our accounting staff continue to build upon their skillset with the goal of reaching this standard.

Section II - Financial Statement Findings (Continued)

FINDING NO. 2017-002 - Internal Controls over Payroll and Grant Compliance (Repeat of Finding 16-002)

Criteria/Specific Requirement:

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires charges for salaries and benefits to be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. It also requires that records are used to support the distribution of employees' salary and benefits among specific activities if the employee only works part of the time on a federal award program. It further states that budget estimates alone do not qualify as support for salary and benefit charges to a federal award.

The Illinois State Board of Education (ISBE) *State and Federal Grant Administration Policy, Fiscal Requirements and Procedures* manual, requires that auditable "time and effort" documentation should be written, after the fact (not estimated or budgeted) documentation of how the time was spent. Time and effort reports should be prepared by any staff with salary charged (1) directly to a federal award, (2) directly to multiple federal awards, or (3) directly to any combination of a federal award or other federal, state or local funds. Additionally, all time and effort sheets and other supporting documentation must be retained at the local level and be available for review or audit any time within three years after termination of the project or until the local entity is notified in writing from ISBE that the records are no longer needed for review or audit.

Condition:

Based on testing performed and discussion with Regional Office personnel, the Regional Office was unable to produce time and effort documentation used to distribute the salary and benefit costs for all employees who are partially paid from a federal program. These employees completed inadequate time sheets that were based on a previous time and effort study used to annually budget their salaries and benefits to these programs rather than using actual time and effort documentation. Furthermore, there was no review of the amounts charged to federal awards based on these budget estimates in order to make necessary adjustments ensuring that the final amounts charged to the federal awards is accurate, allowable, and properly allocated.

Effect:

Since current and after the fact time and effort documentation was not used to allocate the salary and benefit costs of certain employees who only work part of the time on a federal award program, there is an increased risk that the salary and benefit costs charged to federal programs does not reflect the actual time worked on the programs and could result in the loss of federal and/or State funding support in these activities.

Section II - Financial Statement Findings (Continued)

FINDING NO. 2017-002 - Internal Controls over Payroll and Grant Compliance (Repeat of Finding 16-002) (Continued)

Cause:

According to ROE's management, proper time and effort documentation was not maintained in order to provide amounts charged to programs that were accurate, allowable, and properly allocated.

Recommendation:

The Regional Office should develop and implement written polices and procedures over payroll to ensure that proper controls are in place over the use and maintenance of adequate time and effort documentation as required by the Uniform Guidance and the *ISBE State and Federal Grant Administration Policy, Fiscal Requirements and Procedures* manual.

Management's Response:

Time and effort sheets were implemented by all required employees upon notice of last year's audit finding. It is unfortunate that the time of the previous audit did not allow us to meet the implementation timeline of this audit.

Section II - Financial Statement Findings (Continued)

FINDING NO. 2017-003 - Obligations not Properly Reported on Expenditure Reports

Criteria/Specific Requirement:

The Illinois State Board of Education (ISBE) *State and Federal Grant Administration Policy, Fiscal Requirements and Procedures* manual, requires expenditures to be reported on a cumulative (i.e., year-to-date) basis from the project begin date through a specific period of time. Additionally, the obligation for acquisition of real or personal property is made on the date on which a written commitment to acquire the property has been made. All activities for a project must be completed and all obligations encumbered within the project begin and end date.

Condition:

The ROE reported expenditures to the Early Childhood - Block Grant outside of the grant funding period and not in accordance with the *ISBE State and Federal Grant Administration Policy, Fiscal Requirements and Procedures* manual. Expenditures were also reported outside the ROE's appropriate fiscal year. Auditors noted the FY17 beginning fund balance for the Early Childhood - Block Grant was overstated by $3,093. Per review of the FY17 general ledger, an FY16 disallowed capital outlay purchase of three desks totaling $3,093 had been reclassified to FY17 and included on the FY17 4th Quarter Expenditure Detail Report submitted to ISBE for reimbursement from the Early Childhood - Block Grant.

Effect:

Unallowable expenditures were submitted on the 4th Quarter Expenditure Detail Report which led to the Regional Office receiving funding they were not entitled to.

Cause:

According to ROE's management, a misinterpretation of allowable grant expenditures resulted in an incorrect journal entry.

Recommendation:

The Regional Office should ensure obligations are reported within the appropriate project begin and end date.

Management's Response:

A correction of the one incorrect entry has been made. Staff now has thorough understanding of allowable expenditures and the correct reporting of such.

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

For the Year Ended June 30, 2017

Corrective Action Plan

FINDING NO. 2017-001 - Controls Over Financial Statement Preparation (Repeat of Findings 16-001 and 15-001)

Condition:

The ROE did not have sufficient internal controls over the financial reporting process. The ROE maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual and other applicable entries for financial statement purposes. While the ROE maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of GAAP basis 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.

- The ROE's financial information required significant adjusting entries to present the financial statements in accordance with generally accepted accounting principles. This included entries to record transfers and an entry to beginning fund balance.

- The ROE did not have adequate controls to record and report the ROE's net accrued pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP. Proposed adjusting entries by auditors were approved and accepted by the ROE's management.

Plan:

The ROE does have adequate controls to prevent the misuse of funds. The ROE will continue to monitor the requirements as well as train our bookkeeping team in additional methods, manners, and procedures to prepare financial statements.

Anticipated Date of Completion:

This is an on-going process.

Contact Person:

Ms. Julie Wollerman, Regional Superintendent for Bond, Christian, Effingham, Fayette, and Montgomery Counties

Corrective Action Plan (Continued)

FINDING NO. 2017-002 - Internal Controls over Payroll and Grant Compliance (Repeat of Finding 16-002)

Condition:

Based on testing performed and discussion with Regional Office personnel, the Regional Office was unable to produce time and effort documentation used to distribute the salary and benefit costs for all employees who are partially paid from a federal program. These employees completed inadequate time sheets that were based on a previous time and effort study used to annually budget their salaries and benefits to these programs rather than using actual time and effort documentation. Furthermore, there was no review of the amounts charged to federal awards based on these budget estimates in order to make necessary adjustments ensuring that the final amounts charged to the federal awards is accurate, allowable, and properly allocated.

Plan:

The ROE team implemented time and effort sheets reflecting work done on all specific pay funds.

Anticipated Date of Completion:

Completed first quarter of 2017.

Contact Person:

Ms. Julie Wollerman, Regional Superintendent for Bond, Christian, Effingham, Fayette, and Montgomery Counties

Corrective Action Plan (Continued)

FINDING NO. 2017-003 - Obligations not Properly Reported on Expenditure Reports

Condition:

The ROE reported expenditures to the Early Childhood - Block Grant outside of the grant funding period and not in accordance with the *ISBE State and Federal Grant Administration Policy, Fiscal Requirements and Procedures* manual. Expenditures were also reported outside the ROE's appropriate fiscal year. Auditors noted the FY17 beginning fund balance for the Early Childhood - Block Grant was overstated by $3,093. Per review of the FY17 general ledger, an FY16 disallowed capital outlay purchase of three desks totaling $3,093 had been reclassified to FY17 and included on the FY17 4th Quarter Expenditure Detail Report submitted to ISBE for reimbursement from the Early Childhood - Block Grant.

Plan:

Corrective entries were made and mistake will not be repeated.

Anticipated Date of Completion:

Correction made July of 2017.

Contact Person:

Ms. Julie Wollerman, Regional Superintendent for Bond, Christian, Effingham, Fayette, and Montgomery Counties

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS NOT REPEATED

For the Year Ended June 30, 2017

Not applicable in the current year.

BASIC FINANCIAL STATEMENTS

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

STATEMENT OF NET POSITION

June 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 645,306	$ 86,631	$ 731,937
Due from (to) other funds	(190,462)	190,462	-
Due from other governments:	617,846	1,636	619,482
Total current assets	1,072,690	278,729	1,351,419
Noncurrent assets:			
Capital assets, net of depreciation	71,572	-	71,572
Total noncurrent assets	71,572	-	71,572
Total assets	1,144,262	278,729	1,422,991
Deferred outflows of resources			
Deferred outflows related to pensions	728,921	-	728,921
Liabilities			
Current liabilities:			
Salary and benefits payable	66,116	-	66,116
Due to other governments:	62,892	-	62,892
Total current liabilities	129,008	-	129,008
Noncurrent liabilities:			
Net pension liability	976,731	-	976,731
Total noncurrent liabilities	976,731	-	976,731
Total liabilities	1,105,739	-	1,105,739
Deferred inflows of resources			
Deferred inflows related to pensions	65,276	-	65,276
Net position			
Investment in capital assets	71,572	-	71,572
Restricted - other	232,642	-	232,642
Unrestricted	397,954	278,729	676,683
Total net position	$ 702,168	$ 278,729	$ 980,897

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

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Position — Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instructional Services:						
Salaries and benefits	$ 1,572,583	$ -	$ 817,257	$ (755,326)	$ -	$ (755,326)
Purchased services	460,762	-	325,128	(135,634)	-	(135,634)
Supplies and materials	110,391	-	79,703	(30,688)	-	(30,688)
Capital outlay	-	-	25,315	25,315	-	25,315
Payments to other governments	419,385	-	136,448	(282,937)	-	(282,937)
Pension expense	(8,778)	-	89,084	97,862	-	97,862
Depreciation	27,803	-	-	(27,803)	-	(27,803)
Administrative:						
On-behalf payments - Local	35,111	-	-	(35,111)	-	(35,111)
On-behalf payments - State	759,852	-	-	(759,852)	-	(759,852)
Total governmental activities	3,377,109	-	1,472,935	(1,904,174)	-	(1,904,174)
Business-type activities						
Fees for services	29,863	52,802	-	-	22,939	22,939
Total business-type activities	29,863	52,802	-	-	22,939	22,939
Total primary government	$ 3,406,972	$ 52,802	$ 1,472,935	(1,904,174)	22,939	(1,881,235)
General Revenues:						
Local sources				502,286	-	502,286
State sources				925,058	-	925,058
On-behalf payments - Local				35,111	-	35,111
On-behalf payments - State				759,852	-	759,852
Gain on disposal of capital assets				96	3,000	3,096
Interest				1,230	-	1,230
Total general revenues				2,223,633	3,000	2,226,633
Change in net position				319,459	25,939	345,398
Net position - beginning				382,709	252,790	635,499
Net position - ending				$ 702,168	$ 278,729	$ 980,897

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

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2017

	General Fund	Education Fund	Institute	Other Nonmajor Funds	Eliminations	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 413,550	$ 58,427	$ 106,277	$ 67,052	$ -	$ 645,306
Due from other funds	338,560	-	-	-	(338,560)	-
Due from other governments	131	617,275	63	377	-	617,846
Total assets	$ 752,241	$ 675,702	$ 106,340	$ 67,429	$ (338,560)	$ 1,263,152
Liabilities						
Salary and benefits payable	$ 41,201	$ 24,915	$ -	$ -	$ -	$ 66,116
Due to other funds	-	529,022	-	-	(338,560)	190,462
Due to other governments	-	62,892	-	-	-	62,892
Total liabilities	41,201	616,829	-	-	(338,560)	319,470
Deferred inflows of resources						
Unavailable revenue	131	216,579	-	-	-	216,710
Fund balance (deficit)						
Restricted	-	58,322	106,340	67,429	-	232,091
Assigned	544,636	-	-	-	-	544,636
Unassigned	166,273	(216,028)	-	-	-	(49,755)
Total fund balance (deficit)	710,909	(157,706)	106,340	67,429	-	726,972
Total liabilities, deferred inflows of resources, and fund balance (deficit)	$ 752,241	$ 675,702	$ 106,340	$ 67,429	$ (338,560)	$ 1,263,152

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

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS

June 30, 2017

Total Fund balances - governmental funds		$ 726,972
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		71,572
Some revenues will not be collected for several months after the Regional Office fiscal year ends; they are considered "unavailable" revenues and are deferred inflows of resources in the governmental funds		216,710
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:		
IMRF deferred outflows of resources	$ 316,871	
IMRF deferred inflows of resources	(64,963)	
TRS deferred outflows of resources	412,050	
TRS deferred inflows of resources	(313)	663,645
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
IMRF net pension liability	$ (514,877)	
TRS net pension liability	(461,854)	(976,731)
Net position of governmental activities		$ 702,168

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

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2017

	General Fund	Education Fund	Institute	Other Nonmajor Funds	Eliminations	Total Governmental Funds
Revenues:						
Local sources	$ 457,720	$ 15,146	$ 34,125	$ 10,406	$ -	$ 517,397
Local sources-payments made on behalf of region	35,111	-	-	-	-	35,111
State sources	922,929	893,844	-	1,456	-	1,818,229
State sources-payments made on behalf of region	279,797	-	-	-	-	279,797
Federal sources	-	451,103	-	-	-	451,103
Interest	1,230	-	-	-	-	1,230
Total revenues	1,696,787	1,360,093	34,125	11,862	-	3,102,867
Expenditures:						
Instructional services						
Salaries and benefits	736,985	816,104	18,803	691	-	1,572,583
Purchased services	109,766	324,669	21,357	4,970	-	460,762
Supplies and materials	29,173	79,591	1,574	53	-	110,391
Pension expense	59,547	88,958	2,481	-	-	150,986
Payments to other governments	283,130	136,255	-	-	-	419,385
Payments made on behalf of region	314,908	-	-	-	-	314,908
Capital outlay	3,839	21,476	-	-	-	25,315
Total expenditures	1,537,348	1,467,053	44,215	5,714	-	3,054,330
Excess (deficiency) of revenues over (under) expenditures	159,439	(106,960)	(10,090)	6,148	-	48,537
Other financing sources (uses):						
Transfers in	8,776	-	-	-	(8,776)	-
Transfers out	-	(8,776)	-	-	8,776	-
Total other financing sources (uses)	8,776	(8,776)	-	-	-	-
Net change in fund balance	168,215	(115,736)	(10,090)	6,148	-	48,537
Fund balance - beginning	542,694	(41,970)	116,430	61,281	-	678,435
Fund balance (deficit) - ending	$ 710,909	$ (157,706)	$ 106,340	$ 67,429	$ -	$ 726,972

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

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

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, 2017

Net change in fund balances		$ 48,537
Amounts reported for governmental activities in the Statement of Activities are different because:		
Some revenues will not be collected for several months after the Regional Office fiscal year ends, they are not considered "available" revenues and are deferred inflows of resources in the governmental funds.		
Current year unavailable revenue	216,710	
Prior year unavailable revenue	(103,064)	113,646
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.		
Net pension expense		159,764
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	$ 25,315	
Depreciation	(27,803)	(2,488)
Change in net position of governmental activities		$ 319,459

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

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

STATEMENT OF NET POSITION
PROPRIETARY FUND

JUNE 30, 2017

	Business-Type Activities
	Enterprise Fund Workshops
Assets	
Current assets	
Cash and cash equivalents	$ 86,631
Due from other funds	190,462
Due from other governments	1,636
Total current assets	278,729
Noncurrent assets	
Capital assets, net of depreciation	-
Total noncurrent assets	-
Total assets	278,729
Liabilities	-
Net position	
Net investment in capital assets	-
Unrestricted	278,729
Total net position	$ 278,729

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

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND

For the Year Ended June 30, 2017

	Business-Type Activities
	Enterprise Fund Workshops
Operating revenues	
Charges for services	$ 52,802
Total operating revenues	52,802
Operating expenses	
Purchased services	29,798
Supplies and materials	65
Total operating expenses	29,863
Operating income	22,939
Nonoperating revenue	
Gain on sale of capital assets	3,000
Total nonoperating revenue	3,000
Change in net position	25,939
Net position - beginning	252,790
Net position - ending	$ 278,729

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

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended June 30, 2017

	Business-Type Activities
	Enterprise Fund Workshops
Cash flows from operating activities:	
Collection of fees	$ 57,645
Payments to suppliers and providers of goods and services	(29,863)
Net cash provided by operating activities	27,782
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	3,000
Net cash provided by capital and related financing activities	3,000
Cash flows from noncapital financing activities:	
Payments for interfund borrowing, net	(3,144)
Net cash (used for) noncapital financing activities	(3,144)
Net increase in cash and cash equivalents	27,638
Cash and cash equivalents - beginning	58,993
Cash and cash equivalents - ending	$ 86,631
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 22,939
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in assets:	
Decrease in due from other governments	4,843
Net cash provided by operating activities	$ 27,782

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

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

	Agency Funds
Assets	
Due from other governments	$ 775,849
Total assets	$ 775,849
Liabilities	
Due to other governments	$ 775,849
Total liabilities	$ 775,849

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Regional Office of Education No. 3 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

This summary of significant accounting policies of the Regional Office of Education No. 3 is presented to assist in understanding the Regional Office of Education No. 3's financial statements. The financial statements and notes are representations of the Regional Office of Education No. 3's management who is responsible for the integrity and objectivity of the financial statements. The Illinois Administrative Code, Title 23 - Subtitle A, Chapter 1, Section 110.115a, requires each Regional Office of Education to prepare annual financial statements in conformity with accounting principles generally accepted in the United States of America. These principles have been consistently applied in the preparation of the financial statements.

FINANCIAL REPORTING ENTITY

The Regional Office operates under the School Code (Articles 5/3 and 5/3A of *Illinois Compiled Statutes,* Chapter 105). The Regional Office of Education No. 3 encompasses Bond, Christian, Effingham, Fayette, and Montgomery Counties. The Regional Superintendent of Schools (Regional Superintendent) serves as chief administrative officer of the Regional Office of Education No. 3 and is elected pursuant to Article 3, *Illinois Compiled Statutes,* Chapter 105.

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; to serve as the official advisor and assistant of school officers and teachers; to conduct teachers institutes as well as to aid and encourage the formation of other teachers' meetings and assist in their management; to evaluate the schools in the region; examine evidence of indebtedness; to file and keep the returns of elections required to be returned to the Regional Superintendent's office; and file and keep the reports and statements returned by school treasurers and trustees.

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of 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 No. 3's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

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

The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for the districts in the Regional Office of Education No. 3, or seeing that no payments are made unless the treasurer has filed or renewed appropriate bonds and that the district has certified publication of the annual financial report. The Regional Superintendent is required to provide opinions and advice related to controversies under school law.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL REPORTING ENTITY (Continued)

For the period ended June 30, 2017, the Regional Office of Education No. 3 applied for, received, and administered several State and federal programs and grants in assistance and support of the educational activities of the school districts in Regional Office of Education No. 3. Such activities are reported as a single major special revenue fund (i.e. within the Education Fund).

SCOPE OF THE REPORTING ENTITY

The Regional Office of Education No. 3's reporting entity includes all related organizations for which they exercise oversight responsibility.

The Regional Office of Education No. 3 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the Regional Office of Education No. 3, 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 No. 3 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The districts and joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the Regional Office of Education No. 3 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education No. 3 is not aware of any entity, which would exercise such oversight as to result in the Regional Office of Education No. 3 being considered a component unit of the entity.

NEW ACCOUNTING PRONOUNCEMENTS

In 2017, the Regional Office of Education No. 3 implemented Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Pension Plans*, and GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The Regional Office of Education No. 3 implemented these standards during the current year. The implementation of GASB Statement No. 74 establishes standards for the financial reports of defined benefit OPEB plans administered through trusts that meet specified criteria. GASB Statement No. 78 implementation amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined pension plan and establishes requirements for recognition and measurement of pension expense, expenditures, liabilities, note disclosures, and required supplementary information for pensions. GASB Statement No. 82 implementation clarifies the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in the Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee or plan member contribution requirements. GASB Statement No. 77, *Tax Abatements*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - An amendment of GASB Statement No. 14*, also became effective for the current year, but these statements had no impact on the Regional Office of Education No. 3's financial statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 No. 3'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 No. 3 has one business-type activity that relies on fees and charges for support.

The Regional Office of Education No. 3'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 No. 3 accompanied by a total column. These statements are presented on an "economic resources" measurement focus as prescribed by GASB Statement No. 34. All of the Regional Office of Education No. 3's assets, including capital assets, and deferred outflows of resources and liabilities and deferred inflows or 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, proprietary funds and fiduciary funds. Major individual governmental funds 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 and other 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, all internal transactions have been eliminated except those transactions between governmental and business-type activities.

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

The governmental fund financial statements have been prepared in accordance with generally accepted accounting principles on the modified accrual basis. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual i.e., both measurable and available. Revenue is considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenue received more than 60 days after the end of the current period is deferred in the governmental fund financial statements but is recognized as current revenue 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.

Revenue received after the Regional Office's availability period are reported as deferred inflows of resources in the fund financial statements but are recognized as current revenue in the government-wide financial statements.

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.

The proprietary fund is accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position 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 non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

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

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Regional Office of Education No. 3; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Under the terms of grant agreements, Regional Office of Education No. 3 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. It is Regional Office of Education No. 3's policy to first apply restricted funds to such programs, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned, if any.

FUND ACCOUNTING

The Regional Office of Education No. 3 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 No. 3 uses governmental, proprietary funds and fiduciary funds.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the Regional Office of Education No. 3 are typically reported. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets and deferred outflows of resources are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities and deferred inflows of resources 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 a fund balance.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

As prescribed by GASB Statement No. 34, governmental and proprietary 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 plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for the fund type, and 2) total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and proprietary funds combined. Funds that do not meet the major fund determination requirements are reported in aggregate as nonmajor funds. The Regional Office of Education No. 3 has presented all major funds that met the above qualifications.

The Regional Office of Education No. 3 reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Regional Office of Education No. 3. It is used to account for resources traditionally associated with government which are not required, legally, or by sound financial management, to be accounted and reported for in another fund. The General Fund is always considered a major fund. The following accounts are included in the General Fund:

General – This fund provides funding for expenditures incurred in order to operate the Regional Office of Education No. 3.

County – This fund accounts for the shared expenses incurred in the operation of the Regional Superintendent's office.

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

Attendance Officer – This program provides funding for a truant officer which is utilized to pay for related truancy expenses.

Curriculum COOP – This program accounts for local receipts from participating districts that are used to pay for joint events.

Truants Alternative/Optional Education General State Aid (GSA) – This fund accounts for General State Aid received to support the Truants Alternative/Optional Education Program.

Regional Safe Schools Program General State Aid (GSA) – This fund accounts for General State Aid received to support the Regional Safe Schools programs.

Tuition – This fund accounts for tuition payments from local districts sending students to alternative education programs provided by the Regional Office of Education No. 3.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

Special Revenue Funds – Special Revenue Funds are used to account 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:

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

Truants Alternative/Optional Education – This program provides funding for services designed to prevent students from dropping out of school.

Adult Education & Family Literacy – This program provides funding to assist students in the completion of a secondary education.

Regional Safe Schools – This programs provides funding for an alternative school program for disruptive youth in grades 6-9 who have been removed from the regular school setting due to continuous disruptions in the classroom.

McKinney Education for Homeless Children – This program provides training and technical assistance to school districts in the 16 counties to assist school officials in understanding and complying with the McKinney-Vento Act.

Title II - Teacher Quality - Leadership Grant – This program provides professional development for administrators, future administrators, and teacher leaders to receive required training for teacher principal evaluation.

Alternative Education Programs - Other – This fund regulates local, state, and federal revenue and expenses involving breakfast and lunch for the alternative schools.

Title I - School Improvement System of Support – This program provides foundational services for school districts in the areas of English Language Arts Common Core, Math Common Core, Rising Star (CIP), Balanced Assessment, and Evaluations.

Early Childhood Block Grant – This program is intended to implement and administer prevention initiative projects to reduce school failure by coordinating and expanding health, social, and/or child development services to at-risk children under the age of three and their families.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

New Teacher Induction & Mentoring – This program provides opportunities for new teachers to improve their skills and effectiveness as educators and provides them with a supportive professional community which will encourage these individuals to remain in the profession.

Institute Fund – This fund accounts for teacher license registration, issuance and evaluation fees for processing licenses, and expenses for meetings of a professional nature. All funds generated remain restricted until expended only on the aforementioned activities.

Additionally, the Regional Office of Education No. 3 reports the following nonmajor governmental funds:

Nonmajor Special Revenue Funds - All other special revenue funds not classified under Education or Institute Funds are grouped under this fund for financial statement presentation. Nonmajor special revenue funds include the following:

General Education Development – This fund accounts for the receipts and expenses pertaining to the G.E.D./High School Equivalency program for high school dropouts.

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

PROPRIETARY FUNDS

Proprietary funds are those in which revenues and expenses related to services provided to organizations inside the Regional Office of Education No. 3 on a cost reimbursement basis are reported. The major proprietary fund is as follows:

Workshops - This fund is used to account for the fees and local revenues received and related expenses incurred while performing the corresponding program services.

FIDUCIARY FUNDS

Agency Fund - Agency funds are used to account for assets held by the Regional Office of Education No. 3 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 agency fund is as follows:

School Facility Occupation Tax - This fund accounts for the assets held by the Regional Office of Education No. 3 to be distributed to local school districts. Monies received from the State Comptroller for the School Facilities Occupation Tax are forwarded directly to the school districts.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUND BALANCES

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

Nonspendable Fund Balance - the portion of a Governmental Fund's net position that are not available to be spent, either short term or long term in either form or through legal restrictions. The Regional Office of Education No. 3 has no nonspendable fund balances.

Restricted Fund Balance - the portion of a Governmental Fund's net position that are subject to external enforceable legal restrictions. The Alternative Education Programs - Other account's fund balance is restricted by grant agreement or contract. The following accounts' fund balances are restricted by Illinois Statute: Institute Fund, General Education Development, and Bus Driver Training.

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 No. 3 has no committed fund balances.

Assigned Fund Balance - the portion of a Governmental Fund's net position to denote an intended use of resources. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The following accounts' fund balances are assigned: Attendance Officer, Curriculum COOP, Truants Alternative/Optional Education GSA, Regional Safe Schools Program GSA, and Tuition.

Unassigned Fund Balance - available expendable financial resources in a governmental fund that are not designated for a specific purpose. The following accounts' fund balances are unassigned: General, County, EIU, Truants Alternative/Optional Education, Regional Safe Schools, and Early Childhood Block Grant.

NET POSITION

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

Net investment in capital assets - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

BUDGET INFORMATION

The Regional Office of Education No. 3 acts as the administrative agent for certain grant programs that are accounted for in the Education Fund. Certain programs have separate budgets and are required to report to the Illinois State Board of Education or other granting authority; however, none of the annual budgets have been legally adopted, nor are they required to do so. Certain programs within the Education Fund do not have separate budgets.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparisons of budgeted and actual results for the following programs are presented as supplementary information: ROE/ISC Operations, Truants Alternative/Optional Education, Adult Education & Family Literacy, Regional Safe Schools, McKinney Education for Homeless Children, Title II - Teacher Quality - Leadership Grant, Title I - School Improvement System of Support, Early Childhood Block Grant, and New Teacher Induction & Mentoring.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash on deposit. The Regional Office of Education No. 3 considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments with original maturities of more than three months are reported as investments.

INVENTORY

Inventory is not recorded. The cost is recorded as an expenditure at the time individual inventory items are purchased.

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. Leasehold improvements are capitalized if the cost exceeds $3,000 and the improvements are expenses of the ROE rather than the property owner. 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. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Computer equipment	3 years
Automobiles	5 years
Other equipment	5 years
Office furniture	10 years
Leasehold improvements	10 years

COMPENSATED ABSENCES

Full-time employees earn up to 20 vacation days for a full year of service. Vacation days must be used by the end of the fiscal year and may not be carried over to the following year. Seasonal and part-time employees do not earn vacation days. No pay for unused vacation days will be received by a employee when they leave the Regional Office of Education No. 3 or at any time during their employment; therefore, no liability is accrued.

Employees receive up to 12 sick days annually. Employee sick leave is recorded when paid. TRS employees may accumulate 180 days and IMRF employees may accumulate 240 days as service credit towards retirement based on the current rules and regulations of TRS and IMRF. Upon termination, employees do not receive any accumulated sick leave pay; therefore, no liability is accrued.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

REVENUE FROM FEDERAL AND STATE GRANTS

Revenues from federal and State grant awards are recorded net of the amount due to the State or federal agency for unused portion of the grant or the amount carried over to the following fiscal year project. Amounts due to the State or federal agency are carried over to the following year project and are recorded as liabilities.

DEFERRED OUTFLOWS AND INFLOWS 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 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 government 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 for liabilities of the current year. Revenues are not available if they are received more than 60 days after the end of the fiscal year. Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of net difference between projected and actual earnings on pension plan investments.

2 DEPOSITS AND INVESTMENTS

The Regional Office of Education No. 3 does not have a formal investment policy. The Regional Office of Education No. 3 is allowed to invest in securities as authorized by 30 ILCS-235/2 and 6 and 105 ILCS-5/8-7.

BANK DEPOSITS

At June 30, 2017, the carrying amount of the Regional Office of Education No. 3's Government-wide deposits were $731,937, and the bank balances were $894,430. Of the total bank balances as of June 30, 2017, $295,484 was secured by federal depository insurance and $598,946 was collateralized by securities pledged by the Regional Office of Education No. 3's financial institution in the name of the Regional Office.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits with financial institutions is the risk that, in the event of bank failure, the ROE's deposits may not be returned to it.

2 DEPOSITS AND INVESTMENTS (Continued)

CUSTODIAL CREDIT RISK (Continued)

To guard against custodial credit risk for deposits with financial institutions, the Bond, Christian, Fayette, Effingham and Montgomery Counties Regional Office of Education No. 3's 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 Bond, Christian, Fayette, Effingham and Montgomery Counties Regional Office of Education No. 3.

INVESTMENTS

The Regional Office of Education No. 3's, only investments are internally pooled in the Illinois Funds Money Market Fund. As of June 30, 2017, the Regional Office of Education No. 3 had investments with carrying and fair value of $0 invested in the Illinois Funds Money Market Fund.

CREDIT RISK

At June 30, 2017, 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.

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.

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.

3 CAPITAL ASSETS

In accordance with GASB Statement No. 34, the Regional Office of Education No. 3 has reported capital assets in the government-wide Statement of Net Position. Purchases are reported as capital outlay in the governmental fund statements. Purchases are capitalized when purchased for business-type activities. The following table provides a summary of changes in capital assets, accumulated depreciation, and investment in capital assets for the year ended June 30, 2017:

3 CAPITAL ASSETS (Continued)

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental activities				
Office equipment and furniture	$ 60,554	$ 4,534	$ 2,589	$ 62,499
Computer equipment	72,647	4,159	3,153	73,653
Other equipment and leasehold improvements	97,771	16,622	-	114,393
Governmental activities total assets	230,972	25,315	5,742	250,545
Less accumulated depreciation	156,912	27,803	5,742	178,973
Governmental activities investment in capital assets, net	$ 74,060	$ (2,488)	$ -	$ 71,572
Business-type activities				
Office equipment and furniture	$ 19,247	$ -	$ -	$ 19,247
Computer equipment	18,357	-	-	18,357
Other equipment and leasehold improvements	18,100	-	13,450	4,650
Business-type activities total assets	55,704	-	13,450	42,254
Less accumulated depreciation	55,704	-	13,450	42,254
Business-type activities investment in capital assets, net	$ -	$ -	$ -	$ -

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2017 of $27,803 and $0 was charged to governmental activities - instructional services and business-type activities, respectively, on the government-wide Statement of Activities. Investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation.

4 DEFINED BENEFIT PENSION PLAN - ILLINOIS MUNICIPAL RETIREMENT FUND

IMRF PLAN DESCRIPTION

The Regional Office of Education No. 3's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The Regional Office of Education No. 3's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this note. 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.

4 DEFINED BENEFIT PENSION PLAN - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

BENEFITS PROVIDED

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

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

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

- 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, 2016, the following employees were covered by the benefit terms:

	IMRF
Retirees and Beneficiaries currently receiving benefits	23
Inactive Plan Members entitled to but not yet receiving benefits	30
Active Plan Members	24
Total	77

4 DEFINED BENEFIT PENSION PLAN - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

CONTRIBUTIONS

As set by statute, the Regional Office of Education No. 3's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Regional Office of Education No. 3's annual contribution rate for calendar year 2016 was 14.33%. For the fiscal year ended June 30, 2017, the Regional Office of Education No. 3 contributed $105,870 to the plan. The Regional Office of Education No. 3 also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

NET PENSION LIABILITY

The Regional Office of Education No. 3's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

ACTUARIAL ASSUMPTIONS

The following are the methods and assumptions used to determine total pension liability at December 31, 2016:

- 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 2.75%.
- **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, 2016:

4 DEFINED BENEFIT PENSION PLAN - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	6.85%
International Equity	17%	6.75%
Fixed Income	27%	3.00%
Real Estate	8%	5.75%
Alternative Investments	9%	2.65-7.35%
Cash Equivalents	1%	2.25%
Total	100%	

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 3.78%, and the resulting single discount rate is 7.50%.

4 DEFINED BENEFIT PENSION PLAN - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

CHANGES IN THE NET PENSION LIABILITY

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	$ 4,383,713	$ 3,782,159	$ 601,554
Changes for the year:			
Service Cost	102,279	-	102,279
Interest on the Total Pension Liability	326,221	-	326,221
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(56,649)	-	(56,649)
Changes of Assumptions	-	-	-
Contributions - Employer	-	111,917	(111,917)
Contributions - Employees	-	35,145	(35,145)
Net Investment Income	-	316,325	(316,325)
Benefit Payments, including Refunds of Employee Contributions	(170,481)	(170,481)	-
Other (Net Transfer)	-	(4,859)	4,859
Net Changes	201,370	288,047	(86,677)
Balances at December 31, 2016	$ 4,585,083	$ 4,070,206	$ 514,877

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

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

	1% Lower (6.50%)	Current Discount (7.50%)	1% Higher (8.50%)
Net Pension Liability	$ 1,140,697	$ 514,877	$ 2,752

PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended June 30, 2017, the Regional Office of Education No. 3 recognized pension expense of $276,722. At June 30, 2017, the Regional Office of Education No. 3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

4 DEFINED BENEFIT PENSION PLAN - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences between expected and actual experience	$ 75,116	$ 39,561
Changes of assumptions	11,813	-
Net difference between projected and actual earnings on pension plan investments	175,784	25,402
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	262,713	64,963
Pension contributions made subsequent to the measurement date	54,158	-
Total Deferred Amounts Related to Pensions	$ 316,871	$ 64,963

$54,158 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ending June 30, 2018.

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending December 31	Net Deferred Outflows of Resources	Net Deferred Inflows of Resources
2017	$ 108,993	$ -
2018	56,285	-
2019	38,822	-
2020	-	6,350
2021	-	-
Thereafter	-	-
Total	$ 204,100	$ 6,350

5 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

The Regional Office of Education No. 3 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 https://www.trsil.org/financial/financial-reports; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 678-3675, option 2.

BENEFITS PROVIDED

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

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. On July 1, 2016, the rate dropped to 9.0 percent of pay due to the expiration of the Early Retirement Option (ERO). The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the Regional Office of Education No. 3.

5 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

ON BEHALF CONTRIBUTIONS TO TRS

The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education No. 3. For the year ended June 30, 2017, the State of Illinois contributions recognized by the Regional Office of Education No. 3 were based on the State's proportionate share of collective net pension liability associated with the Regional Office of Education No. 3, and the Regional Office of Education No. 3 recognized revenue and expenditures of $480,055 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 ending June 30, 2017 were $4,035 and are deferred because they were paid after the June 30, 2016 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 No. 3, there is a statutory requirement for the Regional Office of Education No. 3 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, 2017, the employer pension contribution was 38.54 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2017, salaries totaling $107,692 were paid from federal and special trust funds that required employer contributions of $41,504. These contributions are deferred because they were paid after the June 30, 2016 measurement date.

EMPLOYER RETIREMENT COST CONTRIBUTIONS

Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The Regional Office of Education No. 3 is required to make a one-time contribution to TRS for members retiring under the ERO. The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the program that ended on June 30, 2016 is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2017, the Regional Office of Education No. 3 paid $0 to TRS for employer ERO contributions for retirements that occurred before July 1, 2016.

The Regional Office of Education No. 3 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, 2017, the Regional Office of Education No. 3 made no payments to TRS for employer contributions due on salary increases in excess of 6 percent and no payments for sick leave days granted in excess of the normal annual allotment.

5 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2017, the Regional Office of Education No. 3 reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for State pension support provided to the employer. The State's support and total are for disclosure purposes only. The amount recognized by the employer as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the employer were as follows:

Employers proportionate share of the net pension liability	$	461,854
State's proportionate share of the net pension liability associated with the employer		4,888,245
Total	$	5,350,099

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, and rolled forward to June 30, 2016. The Regional Office of Education No. 3's proportion of the net pension liability was based on the Regional Office of Education No. 3's share of contributions to TRS for the measurement year ended June 30, 2016, relative to the contributions of all participating TRS employers and the State during that period. At June 30, 2016, the Regional Office of Education No. 3's proportion was 0.0005850993 percent, which was an increase of 0.0000154294 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Regional Office of Education No. 3 recognized pension expense of $480,055 and revenue of $480,055 for support provided by the State. For the year ended June 30, 2017, the Regional Office of Education No. 3 recognized pension expense of $118,315. At June 30, 2017, the Regional Office of Education No. 3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	3,415	$	313
Net difference between projected and actual earnings on pension plan investments		13,048		-
Changes of assumptions		39,666		-
Changes in proportion and difference between employer contributions and proportionate share of contributions		310,382		-
Employer contributions subsequent to the measurement date		45,539		-
	$	412,050	$	313

5 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

$45,539 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized by the Regional Office of Education #3 as a reduction of their net pension liabilities in the reporting year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2018	$	85,783
2019		85,783
2020		90,130
2021		87,072
2022		17,430
	$	366,198

ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.50 percent
Salary increase:	varies by amount of service credit
Investment rate of return:	7.00 percent, net of pension plan investment expense, including inflation

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

For the June 30, 2016 valuation, the investment return assumption was lowered from 7.50 percent to 7.0 percent. Salary increase assumptions were lowered from their 2015 levels. Other assumptions were based on the 2015 experience analysis which increased retirement rates, improved mortality assumptions and made other changes.

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:

5 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. equities large cap	14.4%	6.94%
U.S. equities small/mid cap	3.6%	8.09%
International equities developed	14.4%	7.46%
Emerging market equities	3.6%	10.15%
U.S. bonds core	10.7%	2.44%
International debt developed	5.3%	1.70%
Real Estate	15.0%	5.44%
Commodities (real return)	11.0%	4.28%
Hedge funds (absolute return)	8.0%	4.16%
Private equity	14.0%	10.63%
Total	100%	

DISCOUNT RATE

At June 30, 2016, the discount rate used to measure the total pension liability was a blended rate of 6.83 percent, which was a change from the June 30, 2015 rate of 7.47 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and state contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS's fiduciary net position at June 30, 2016 was not projected to be available to make all projected future benefit payments of current active and inactive members and all benefits 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, 2015, the discount rate used to measure the total pension liability was 7.47 percent. The discount rate was lower than the actuarially-assumed rate of return on investments that year as well because TRS's fiduciary net position and the subsidy provided by Tier II were not sufficient to cover all projected benefit payments.

SENSITIVITY OF THE REGIONAL OFFICE OF EDUCATION NO. 3'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the Regional Office of Education #3's proportionate share of the net pension liability calculated using the discount rate of 6.83 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 (5.83 percent) or 1-percentage-point higher (7.83 percent) than the current rate.

5 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

	1% Decrease (5.83%)	Current Discount Rate (6.83%)	1% Increase (7.83%)
Employer's proportionate share of the net pension liability	$ 564,866	$ 461,854	$ 377,721

TRS FIDUCIARY NET POSITION

Detailed information about the TRS's fiduciary net position as of June 30, 2016 is available in the separately issued TRS *Comprehensive Annual Financial Report.*

6 OTHER POST EMPLOYMENT BENEFITS

TEACHER'S HEALTH INSURANCE SECURITY FUND

The Regional Office of Education No. 3 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the state-administered participating provider option plan or choose from several managed care options. Annuitants who were enrolled in Medicare Parts A and B may be eligible to enroll in Medicare Advantage plans.

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

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

ON BEHALF CONTRIBUTIONS TO THE THIS FUND

The State of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office of Education No. 3. State contributions are intended to match contributions to the THIS Fund from active members which were 1.12 percent of pay during the year ended June 30, 2017. State of Illinois contributions were $7,792, and the Regional Office of Education No. 3 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2016 and June 30, 2015, were 1.07 and 1.02 percent of pay, respectively. State contributions on behalf of the Regional Office of Education employees were $6,590 and $4,901, respectively.

6 OTHER POST EMPLOYMENT BENEFITS (Continued)

EMPLOYER CONTRIBUTIONS TO THE THIS FUND

The Regional Office of Education No. 3 also makes contributions to the THIS Fund. The Regional Office of Education No. 3's THIS Fund contribution was 0.84 percent during the year ended June 30, 2017, and 0.80 and 0.76 percent during the years ended June 30, 2016 and June 30, 2015, respectively. For the year ended June 30, 2017, the Regional Office of Education No. 3 paid $5,844 to the THIS Fund, which was 100 percent of the required contribution. For the years ended June 30, 2016 and June 30, 2015, the Regional Office of Education No. 3 paid $4,927 and $3,652, respectively, which was 100 percent of the required contribution.

FURTHER INFORMATION ON THIS FUND

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General: http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp. The current reports are listed under "Central Management Services" (http://www.auditor.illinois.gov/Audit-Reports/CMS-THISF.asp). Prior reports are available under "Healthcare and Family Services" (http://www.auditor.illinois.gov/Audit-Reports/HEALTHCARE-FAMILY-SERVICES-Teacher-Health-Ins-Sec-Fund.asp).

7 INTERFUND ACTIVITY

DUE TO/FROM OTHER FUNDS

Interfund due to/from other fund balances at June 30, 2017 consist of the following individual due to/from other funds in the governmental fund Balance Sheet and proprietary fund Statement of Net Position. The balances between governmental funds were eliminated in the government-wide Statement of Net Position. The balances between governmental and business-type activities were not eliminated in the government-wide Statement of Net Position. The loans were used to cover cash shortages in the Education Fund.

Fund	Due from Other Funds	Due to Other Funds
General Fund		
Truants Alternative/Optional Education GSA	$ 338,560	$ -
Education Fund		
Truants Alternative Optional Education	-	108,681
Adult Education & Family Literacy	-	122,759
Regional Safe Schools	-	56,900
McKinney Education for Homeless Children	-	50,220
Title I - School Improvement	-	12,018
Early Childhood Block Grant	-	178,444
Proprietary Fund		
Enterprise Fund Workshops	190,462	-
Total	$ 529,022	$ 529,022

7 INTERFUND ACTIVITY (Continued)

TRANSFERS

Interfund transfers in/out to other fund balances at June 30, 2017 consist of the following individual transfer in/out to other funds in the governmental fund balance sheet. The transfer was made to pay back funds to Truants Alternative/Optional Education GSA from Adult Education & Family Literacy. The transfer balances between governmental funds were eliminated in the government-wide Statement of Activities.

Fund	Transfer In	Transfer Out
General Fund		
Truants Alternative/Optional Education GSA	$ 8,776	$ -
Education Fund		
Adult Education & Family Literacy	-	8,776
Total	$ 8,776	$ 8,776

8 RISK MANAGEMENT

The Regional Office of Education No. 3 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 No. 3 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.

9 ON BEHALF PAYMENTS

Bond County, Christian County, Effingham County, and Fayette County paid certain benefits on behalf of the Regional Office of Education No. 3 The benefits paid on the Regional Office of Education No. 3's behalf for the year ended June 30, 2017, were as follows:

Bond County	
Office Staff Benefits	$ 10,206
Christian County	
Office Staff Benefits	8,513
Effingham County	
Office Staff Benefits	670
Fayette County	
Office Staff Benefits	15,722
	$ 35,111

The State of Illinois paid the following salaries, benefits, and contributions on behalf of the Regional Office of Education No. 3:

Regional Superintendent Salary	$ 112,800
Regional Superintendent Fringe Benefit (Includes State paid insurance)	36,395
Assistant Regional Superintendent Salary	101,520
Assistant Regional Superintendent Fringe Benefit (Includes State paid insurance)	21,290
THIS Contributions	7,792
Total	$ 279,797

9 ON BEHALF PAYMENTS (Continued)

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

The Regional Office of Education No. 3 also recorded $480,055 in revenue and expenses as on behalf payments from ISBE for the Regional Office's share of the State's Teachers' Retirement System (TRS) pension expense in the Statement of Activities. In addition, the Regional Office of Education No. 3 has not included any on behalf payments related to the State's TRS pension expense for the Regional Superintendent or Assistant Regional Superintendent.

Bond, Christian, Effingham and Fayette County on behalf payments	$ 35,111
State of Illinois on behalf payments	279,797
ROE No. 3's share of TRS pension expense	480,055
Total	$ 794,963

10 DUE TO/FROM OTHER GOVERNMENTS

The Regional Office of Education No. 3’s General Fund, Education Fund, Institute Fund, Nonmajor Special Revenue Funds, Proprietary Fund, and Fiduciary Fund have funds due from/to various other governmental units which consist of the following:

Due from Other Governments	
General Fund	
Local Governments	$ 131
	131
Education Fund	
Illinois State Board of Education	473,328
Illinois Community College Board	131,929
Local Governments	12,018
	617,275
Institute Fund:	
Local Governments	63
	63
Nonmajor Special Revenue Funds:	
Local Governments	377
	377
Proprietary Fund:	
Local Governments	1,636
Fiduciary Fund:	
Illinois Department of Revenue	775,849
	$ 1,395,331

10 DUE TO/FROM OTHER GOVERNMENTS (Continued)

Due to Other Governments

Education Fund		
Illinois State Board of Education	$	59,097
Regional Office of Education No. 45		3,639
Local Governments		156
		62,892
Fiduciary Fund:		
Local Governments		775,849
	$	838,741

11 OPERATING LEASE

The Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3 has entered into operating leases through June 30, 2017 for its Alternative Education Programs to provide classroom space for the FOCUS and New Approach Schools and office space for grant programs. The Bond, Christian, Effingham Fayette, and Montgomery Counties Regional Office of Education No. 3 also entered into an operating lease for its Alternative Education Programs to provide classroom space and office space for general use at the West Side School through June 30, 2017. Rent expense for 2017 totaled $98,500. Unless written notice is given to the party desiring to terminate the lease, these lease contracts are automatically renewed on an annual basis. The rent expense is determined at the annual renewal.

The Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3 has entered into operating lease agreements for three copiers. Rent expense for 2017 totaled $4,142. Future minimum rentals are as follows for the year ending June 30:

2018	$	4,704
2019		4,704
2020		4,704
2021		4,704
2022		1,176
Thereafter		-
Total	$	19,992

12 DEFICIT FUND BALANCE

Because some revenues from the State of Illinois will not be collected for several months after the Regional Office's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. As of June 30, 2017, the deferral of the revenues caused a deficit fund balance in the Truants Alternative/Optional Education account $(81,364), the Regional Safe Schools account $(39,647), and the Early Childhood Block Grant account $(95,017).

13 PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This statement will be implemented for the fiscal year ending June 30, 2018. This statement provides reporting guidance for governments that provide Other Postemployment Benefits (OPEB), excluding pensions, to their retirees who meet the qualifications of the plan. This statement will change how long-term obligations associated with OPEB are calculated and reported, as well as requiring more extensive note disclosures for Required Supplementary Information (RSI) about OPEB liabilities. At this time, the effect of the statement on the financial statements is indeterminable; however, the Statement of Net Position will be adjusted to include the OPEB liability on the face of the financial statements in future reporting periods.

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

SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Teacher's Retirement System of the State of Illinois
For the Year Ended June 30, 2017

	2016*	2015*	2014*
Employer's proportion of the net pension liability	0.0005850993%	0.0005696699%	0.0005551387%
Employer's proportionate share of the net pension liability	$ 461,854	$ 373,191	$ 337,848
State's proportionate share of the net pension liability associated with the employer	4,888,245	3,110,988	2,428,738
Total	$ 5,350,099	$ 3,484,179	$ 2,766,586
Employer's covered payroll	$ 615,844	$ 481,735	$ 400,502
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	75.0%	77.5%	84.4%
Plan fiduciary net position as a percentage of the total pension liability	36.4%	41.5%	43.0%

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Teacher's Retirement System of the State of Illinois
For the Year Ended June 30, 2017

	2017	2016	2015	2014
Statutorily-required contribution	$ 45,539	$ 22,659	$ 19,962	$ 19,807
Contributions in relation to the statutorily-required contribution	45,539	22,659	19,962	19,807
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 695,723	$ 615,844	$ 481,735	$ 400,502
Contributions as a percentage of covered payroll	6.5%	3.7%	4.1%	4.9%

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

Notes to Required Supplementary Information

Changes of assumptions

For the 2016 measurement year, the assumed investment rate of return was 7.0 percent, including an inflation rate of 2.5 percent and a real return of 4.5 percent. Salary increases were assumed to vary by service credit.

For the 2015 measurement year, the assumed investment rate of return was 7.5 percent, including an inflation rate of 3.0 percent and a real return of 4.5 percent. Salary increases were assumed to vary by service credit. Various other changes in assumptions were adopted based on the experience analysis for the three-year period ending June 30, 2014.

For the 2014 measurement year, the assumed investment rate of return was also 7.5 percent, including an inflation rate of 3.0 percent and a real return of 4.5 percent. However, salary increases were assumed to vary by age.

See accompanying Independent Auditors' Report.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Illinois Municipal Retirement Fund
Last Three 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
2014	$ 122,487	$ 123,623	$ (1,136)	$ 814,920	15.17%
2015	109,834	111,979	(2,145)	854,076	13.11%
2016	111,917	111,917	-	781,000	14.33%

Notes to Schedule:
Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2016 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 2016 Contribution Rates:

Actuarial Cost Method: Aggregate entry age = normal

Amortization Method: Level percentage of payroll, closed

Remaining Amortization Period: 27-year closed period

Asset Valuation Method: 5-year smoothed market; 20% corridor

Wage Growth: 3.5%

Price Inflation: 2.75%, approximate; No explicit price inflation assumption is used in this valuation.

Salary Increases: 3.75% to 14.50%, including inflation

Investment Rate of Return: 7.5%

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.

Mortality: RP-2014 Blue Collar Health Annuitant Mortality Table, adjusted to match current IMRF experience. For disabled lives, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). 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.

Other Information:
Notes: There were no benefit changes during the year.

* Based on Valuation Assumptions used in the December 31, 2014, 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.

See accompanying Independent Auditors' Report.

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
Illinois Municipal Retirement Fund
Last Three Calendar Years

Calendar Year Ended December 31,	2016	2015	2014
Total Pension Liability			
Service Cost	$ 102,279	$ 47,482	$ 96,369
Interest on the Total Pension Liability	326,221	176,324	269,662
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(56,649)	171,345	101,080
Changes of Assumptions	-	-	134,807
Benefit Payments, including Refunds of Employee Contributions	(170,481)	(116,039)	(87,834)
Net Change in Total Pension Liability	201,370	279,112	514,084
Total Pension Liability - Beginning	4,383,713	4,104,601	3,590,517
Total Pension Liability - Ending (A)	$ 4,585,083	$ 4,383,713	$ 4,104,601
Plan Fiduciary Net Position			
Contributions - Employer	$ 111,917	$ 111,979	$ 123,623
Contributions - Employees	35,145	38,434	36,672
Net Investment Income	316,325	(25,749)	204,565
Benefit Payments, including Refunds of Employee Contributions	(170,481)	(116,039)	(87,834)
Other (Net Transfer)	(4,859)	3,623	(2,702)
Net Change in Plan Fiduciary Net Position	288,047	12,248	274,324
Plan Fiduciary Net Position - Beginning	3,782,159	3,769,911	3,495,587
Plan Fiduciary Net Position - Ending (B)	$ 4,070,206	$ 3,782,159	$ 3,769,911
Net Pension Liability - Ending (A) - (B)	$ 514,877	$ 601,554	$ 334,690
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.77%	86.28%	91.85%
Covered Valuation Payroll	$ 781,000	$ 854,076	$ 814,920
Net Pension Liability as a Percentage of Covered Valuation Payroll	65.93%	70.43%	41.07%

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.

See accompanying Independent Auditors' Report.

SUPPLEMENTAL INFORMATION

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND

JUNE 30, 2017

	General	County	EIU
Assets			
Cash and cash equivalents	$ 118,772	$ 50,971	$ 586
Due from other funds	-	-	-
Due from other governments	131	-	-
Total assets	$ 118,903	$ 50,971	$ 586
Liabilities			
Salary and benefits payable	$ -	$ 4,056	$ -
Total liabilities	-	4,056	-
Deferred Inflows of Resources			
Unavailable revenue	131	-	-
Fund balance			
Assigned	-	-	-
Unassigned	118,772	46,915	586
Total fund balance	118,772	46,915	586
Total liabilities, deferred inflows of resources, and fund balance	$ 118,903	$ 50,971	$ 586

See accompanying Independent Auditors' Report.

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND (Continued)

JUNE 30, 2017

	Attendance Officer	Curriculum COOP	Truants Alternative/ Optional Education GSA
Assets			
Cash and cash equivalents	$ 12,251	$ 7,185	$ 51,841
Due from other funds	-	-	338,560
Due from other governments	-	-	-
Total assets	$ 12,251	$ 7,185	$ 390,401
Liabilities			
Salary and benefits payable	$ 724	$ -	$ 22,064
Total liabilities	724	-	22,064
Deferred Inflows of Resources			
Unavailable revenue	-	-	-
Fund balance			
Assigned	11,527	7,185	368,337
Unassigned	-	-	-
Total fund balance	11,527	7,185	368,337
Total liabilities, deferred inflows of resources, and fund balance	$ 12,251	$ 7,185	$ 390,401

See accompanying Independent Auditors' Report.

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND (Continued)

JUNE 30, 2017

	Regional Safe Schools Program GSA	Tuition	Total
Assets			
Cash and cash equivalents	$ 123,785	$ 48,159	$ 413,550
Due from other funds	-	-	338,560
Due from other governments	-	-	131
Total assets	$ 123,785	$ 48,159	$ 752,241
Liabilities			
Salary and benefits payable	$ 14,357	$ -	$ 41,201
Total liabilities	14,357	-	41,201
Deferred Inflows of Resources			
Unavailable revenue	-	-	131
Fund balance			
Assigned	109,428	48,159	544,636
Unassigned	-	-	166,273
Total fund balance	109,428	48,159	710,909
Total liabilities, deferred inflows of resources, and fund balance	$ 123,785	$ 48,159	$ 752,241

See accompanying Independent Auditors' Report.

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS

For the Year Ended June 30, 2017

	General	County	EIU
Revenues			
Local sources	$ 104,639	$ 273,766	$ -
Local sources-payments made on behalf of region	35,111	-	-
State sources	-	-	-
State sources-payments made on behalf of region	279,797	-	-
Interest	1,097	-	-
Total revenues	420,644	273,766	-
Expenditures			
Salaries and benefits	59,509	214,314	-
Purchased services	4,756	31,071	-
Supplies and materials	-	8,289	-
Capital outlay	-	1,941	-
Pension expense	242	26,788	-
Payments to other governments	-	-	-
Payments made on behalf of region	314,908	-	-
Total expenditures	379,415	282,403	-
Excess (deficiency) of revenues over (under) expenditures	41,229	(8,637)	-
Other financing sources			
Transfers in	-	-	-
Net change in fund balance	41,229	(8,637)	-
Fund balance - beginning	77,543	55,552	586
Fund balance - ending	$ 118,772	$ 46,915	$ 586

See accompanying Independent Auditors' Report.

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS (Continued)

For the Year Ended June 30, 2017

	Attendance Officer	Curriculum COOP	Truants Alternative/ Optional Education GSA
Revenues			
Local sources	$ 15,496	$ -	$ 300
Local sources-payments made on behalf of region	-	-	-
State sources	-	-	488,419
State sources-payments made on behalf of region	-	-	-
Interest	-	-	133
Total revenues	15,496	-	488,852
Expenditures			
Salaries and benefits	7,685	-	286,941
Purchased services	4,477	434	50,959
Supplies and materials	-	-	20,884
Capital outlay	-	-	1,898
Pension expense	1,011	-	25,892
Payments to other governments	-	-	-
Payments made on behalf of region	-	-	-
Total expenditures	13,173	434	386,574
Excess (deficiency) of revenues over (under) expenditures	2,323	(434)	102,278
Other financing sources			
Transfers in	-	-	8,776
Net change in fund balance	2,323	(434)	111,054
Fund balance - beginning	9,204	7,619	257,283
Fund balance - ending	$ 11,527	$ 7,185	$ 368,337

See accompanying Independent Auditors' Report.

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS (Continued)

For the Year Ended June 30, 2017

	Regional Safe Schools Program GSA	Tuition	Total
Revenues			
Local sources	$ 29,769	$ 33,750	$ 457,720
Local sources-payments made on behalf of region	-	-	35,111
State sources	434,510	-	922,929
State sources-payments made on behalf of region	-	-	279,797
Interest	-	-	1,230
Total revenues	464,279	33,750	1,696,787
Expenditures			
Salaries and benefits	168,536	-	736,985
Purchased services	3,393	14,676	109,766
Supplies and materials	-	-	29,173
Capital outlay	-	-	3,839
Pension expense	5,614	-	59,547
Payments to other governments	283,130	-	283,130
Payments made on behalf of region	-	-	314,908
Total expenditures	460,673	14,676	1,537,348
Excess (deficiency) of revenues over (under) expenditures	3,606	19,074	159,439
Other financing sources			
Transfers in	-	-	8,776
Net change in fund balance	3,606	19,074	168,215
Fund balance - beginning	105,822	29,085	542,694
Fund balance - ending	$ 109,428	$ 48,159	$ 710,909

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION NO. 3
BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND

JUNE 30, 2017

	ROE/ISC Operations	Truants Alternative/ Optional Education	Adult Education & Family Literacy	Regional Safe Schools
Assets				
Cash and cash equivalents	$ -	$ -	$ -	$ -
Due from other governments	-	121,864	131,929	59,462
Total assets	$ -	$ 121,864	$ 131,929	$ 59,462
Liabilities				
Salary and benefits payable	$ -	$ 13,183	$ 9,170	$ 2,562
Due to other funds	-	108,681	122,759	56,900
Due to other governments	-	-	-	-
Total liabilities	-	121,864	131,929	59,462
Deferred inflows of resources				
Unavailable revenue	-	81,364	-	39,647
Fund balance (deficit)				
Restricted	-	-	-	-
Unassigned	-	(81,364)	-	(39,647)
Total fund balance (deficit)	-	(81,364)	-	(39,647)
Total liabilities, deferred inflows of resources, and fund balance (deficit)	$ -	$ 121,864	$ 131,929	$ 59,462

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION NO. 3
BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND (Continued)

JUNE 30, 2017

	McKinney Education for Homeless Children	Title II - Teacher Quality - Leadership Grant	Alternative Education Programs - Other	Title I - School Improvement System of Support
Assets				
Cash and cash equivalents	$ -	$ -	$ 58,427	$ -
Due from other governments	53,859	-	602	12,018
Total assets	$ 53,859	$ -	$ 59,029	$ 12,018
Liabilities				
Salary and benefits payable	$ -	$ -	$ -	$ -
Due to other funds	50,220	-	-	12,018
Due to other governments	3,639	-	156	-
Total liabilities	53,859	-	156	12,018
Deferred inflows of resources				
Unavailable revenue	-	-	551	-
Fund balance (deficit)				
Restricted	-	-	58,322	-
Unassigned	-	-	-	-
Total fund balance (deficit)	-	-	58,322	-
Total liabilities, deferred inflows of resources, and fund balance (deficit)	$ 53,859	$ -	$ 59,029	$ 12,018

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION NO. 3
BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND (Continued)

JUNE 30, 2017

	Early Childhood Block Grant	New Teacher Induction & Mentoring	Total
Assets			
Cash and cash equivalents	$ -	$ -	$ 58,427
Due from other governments	237,541	-	617,275
Total assets	$ 237,541	$ -	$ 675,702
Liabilities			
Salary and benefits payable	$ -	$ -	$ 24,915
Due to other funds	178,444	-	529,022
Due to other governments	59,097	-	62,892
Total liabilities	237,541	-	616,829
Deferred inflows of resources			
Unavailable revenue	95,017	-	216,579
Fund balance (deficit)			
Restricted	-	-	58,322
Unassigned	(95,017)	-	(216,028)
Total fund balance (deficit)	(95,017)	-	(157,706)
Total liabilities, deferred inflows of resources, and fund balance (deficit)	$ 237,541	$ -	$ 675,702

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION NO. 3
BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS

For the Year Ended June 30, 2017

	ROE/ISC Operations	Truants Alternative/ Optional Education	Adult Education & Family Literacy	Regional Safe Schools
Revenues				
Local sources	$ -	$ -	$ -	$ -
State sources	113,174	81,000	218,210	39,630
Federal sources	-	-	58,900	-
Total revenues	113,174	81,000	277,110	39,630
Expenditures				
Salaries and benefits	88,889	150,184	102,694	27,195
Purchased services	11,782	2,929	60,246	48,505
Supplies and materials	5,361	-	5,079	-
Capital outlay	6,711	-	-	-
Pension expense	431	9,251	-	3,577
Payments to other governments	-	-	-	-
Total expenditures	113,174	162,364	168,019	79,277
Excess (deficiency) of revenues over (under) expenditures	-	(81,364)	109,091	(39,647)
Other financing (uses)				
Transfers out	-	-	(8,776)	-
Net change in fund balance (deficit)	-	(81,364)	100,315	(39,647)
Fund balance (deficit) - beginning	-	-	(100,315)	-
Fund balance (deficit) - ending	$ -	$ (81,364)	$ -	$ (39,647)

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION NO. 3
BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS (Continued)

For the Year Ended June 30, 2017

	McKinney Education for Homeless Children	Title II - Teacher Quality - Leadership Grant	Alternative Education Programs - Other	Title I - School Improvement System of Support
Revenues				
Local sources	$ -	$ -	$ 15,146	$ -
State sources	-	-	347	-
Federal sources	265,885	4,260	60,381	61,677
Total revenues	265,885	4,260	75,874	61,677
Expenditures				
Salaries and benefits	101,925	-	-	9,002
Purchased services	17,664	4,260	72,538	45,733
Supplies and materials	2,597	-	927	3,499
Capital outlay	-	-	2,432	-
Pension expense	27,993	-	-	3,443
Payments to other governments	115,706	-	-	-
Total expenditures	265,885	4,260	75,897	61,677
Excess (deficiency) of revenues over (under) expenditures	-	-	(23)	-
Other financing (uses)				
Transfers out	-	-	-	-
Net change in fund balance (deficit)	-	-	(23)	-
Fund balance (deficit) - beginning	-	-	58,345	-
Fund balance (deficit) - ending	$ -	$ -	$ 58,322	$ -

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION NO. 3
BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS (Continued)

For the Year Ended June 30, 2017

	Early Childhood Block Grant	New Teacher Induction & Mentoring	Total
Revenues			
Local sources	$ -	$ -	$ 15,146
State sources	412,890	28,593	893,844
Federal sources	-	-	451,103
Total revenues	412,890	28,593	1,360,093
Expenditures			
Salaries and benefits	336,215	-	816,104
Purchased services	58,419	2,593	324,669
Supplies and materials	56,677	5,451	79,591
Capital outlay	12,333	-	21,476
Pension expense	44,263	-	88,958
Payments to other governments	-	20,549	136,255
Total expenditures	507,907	28,593	1,467,053
Excess (deficiency) of revenues over (under) expenditures	(95,017)	-	(106,960)
Other financing (uses)			
Transfers out	-	-	(8,776)
Net change in fund balance (deficit)	(95,017)	-	(115,736)
Fund balance (deficit) - beginning	-	-	(41,970)
Fund balance (deficit) - ending	$ (95,017)	$ -	$ (157,706)

See accompanying Independent Auditors' Report.

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ROE/ISC OPERATIONS

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenue			
State sources	$ 113,174	$ 113,174	$ 113,174
Expenditures			
Salaries and benefits	78,600	89,319	89,320
Purchased services	23,200	11,860	11,782
Supplies and Materials	4,000	6,000	5,361
Capital Outlay	7,374	5,995	6,711
Total expenditures	113,174	113,174	113,174
Net change in fund balance	$ -	$ -	-
Fund balance - beginning			-
Fund balance - ending			$ -

Note: Salaries and benefits actual expenditures include pension expense reported on combining Schedule of Revenues, Expenditures and Changes in Fund Balances for Education Fund Accounts since pension expense was not a separately budgeted item.

See accompanying Independent Auditors' Report.

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TRUANTS ALTERNATIVE/OPTIONAL EDUCATION

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenue			
State sources	$ 162,364	$ 162,364	$ 81,000
Expenditures			
Salaries and benefits	159,436	159,436	159,435
Purchased services	2,928	2,928	2,929
Total expenditures	162,364	162,364	162,364
Net change in fund balance (deficit)	$ -	$ -	(81,364)
Fund balance - beginning			-
Fund balance (deficit) - ending			$ (81,364)

Note: Salaries and benefits actual expenditures include pension expense reported on combining Schedule of Revenues, Expenditures and Changes in Fund Balances for Education Fund Accounts since pension expense was not a separately budgeted item.

See accompanying Independent Auditors' Report.

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ADULT EDUCATION & FAMILY LITERACY

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenue			
Federal sources	$ 58,900	$ 58,900	$ 58,900
State sources	117,895	117,895	218,210
Total revenue	176,795	176,795	277,110
Expenditures			
Salaries and benefits	105,639	105,639	102,694
Purchased services	66,077	66,077	60,246
Supplies and materials	5,079	5,079	5,079
Total expenditures	176,795	176,795	168,019
Excess of revenues over expenditures	$ -	$ -	109,091
Other financing (uses)			
Transfers out	-	-	(8,776)
Net change in fund balance	$ -	$ -	100,315
Fund balance (deficit) - beginning			(100,315)
Fund balance - ending			$ -

See accompanying Independent Auditors' Report.

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
REGIONAL SAFE SCHOOLS

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenue			
State sources	$ 79,277	$ 79,277	$ 39,630
Expenditures			
Salaries and benefits	30,772	30,772	30,772
Purchased services	48,505	48,505	48,505
Total expenditures	79,277	79,277	79,277
Net change in fund balance (deficit)	$ -	$ -	(39,647)
Fund balance - beginning			-
Fund balance (deficit) - ending			$ (39,647)

Note: Salaries and benefits actual expenditures include pension expense reported on combining Schedule of Revenues, Expenditures and Changes in Fund Balances for Education Fund Accounts since pension expense was not a separately budgeted item.

See accompanying Independent Auditors' Report.

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
MCKINNEY EDUCATION FOR HOMELESS CHILDREN

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenue			
Federal sources	$ 239,591	$ 287,900	$ 265,885
Expenditures			
Salaries and benefits	56,564	58,939	129,918
Purchased services	2,684	10,160	17,664
Supplies and materials	600	1,876	2,597
Payments to other governments	179,743	216,925	115,706
Total expenditures	239,591	287,900	265,885
Net change in fund balance	$ -	$ -	-
Fund balance - beginning			-
Fund balance - ending			$ -

Note: Salaries and benefits actual expenditures include pension expense reported on combining Schedule of Revenues, Expenditures and Changes in Fund Balances for Education Fund Accounts since pension expense was not a separately budgeted item.

See accompanying Independent Auditors' Report.

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE II - TEACHER QUALITY - LEADERSHIP GRANT

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenue			
Federal sources	$ 4,260	$ 4,260	$ 4,260
Expenditures			
Purchased services	4,260	4,260	4,260
Net change in fund balance	$ -	$ -	-
Fund balance - beginning			-
Fund balance - ending			$ -

See accompanying Independent Auditors' Report.

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TITLE I - SCHOOL IMPROVEMENT SYSTEM OF SUPPORT

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenue			
Federal sources	$ 70,000	$ 70,000	$ 61,677
Expenditures			
Salaries and benefits	12,444	12,444	12,445
Purchased services	51,056	51,056	45,733
Supplies and materials	6,500	6,500	3,499
Total expenditures	70,000	70,000	61,677
Net change in fund balance	$ -	$ -	-
Fund balance - beginning			-
Fund balance - ending			$ -

Note: Salaries and benefits actual expenditures include pension expense reported on combining Schedule of Revenues, Expenditures and Changes in Fund Balances for Education Fund Accounts since pension expense was not a separately budgeted item.

See accompanying Independent Auditors' Report.

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
EARLY CHILDHOOD BLOCK GRANT

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenue			
State sources	$ 487,850	$ 511,000	$ 412,890
Expenditures			
Salaries and benefits	358,761	380,479	380,478
Purchased services	69,390	54,781	58,419
Supplies and materials	51,599	58,272	56,677
Capital outlay	8,100	17,468	12,333
Total expenditures	487,850	511,000	507,907
Net change in fund balance (deficit)	$ -	$ -	(95,017)
Fund balance - beginning			-
Fund balance (deficit) - ending			$ (95,017)

Note: Salaries and benefits actual expenditures include pension expense reported on combining Schedule of Revenues, Expenditures and Changes in Fund Balances for Education Fund Accounts since pension expense was not a separately budgeted item.

See accompanying Independent Auditors' Report.

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
NEW TEACHER INDUCTION & MENTORING

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenue			
State sources	$ 28,593	$ 28,593	$ 28,593
Expenditures			
Purchased services	2,450	2,450	2,593
Supplies and materials	5,593	5,593	5,451
Payments to other governments	20,550	20,550	20,549
Total expenditures	28,593	28,593	28,593
Net change in fund balance	$ -	$ -	-
Fund balance - beginning			-
Fund balance - ending			$ -

See accompanying Independent Auditors' Report.

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2017

	General Education Development	Bus Driver Training	Total
Assets			
Cash and cash equivalents	$ 37,332	$ 29,720	$ 67,052
Due from other governments	256	121	377
Total assets	$ 37,588	$ 29,841	$ 67,429
Liabilities	$ -	$ -	$ -
Fund balance			
Restricted	37,588	29,841	67,429
Total liabilities and fund balance	$ 37,588	$ 29,841	$ 67,429

See accompanying Independent Auditors' Report.

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2017

	General Education Development	Bus Driver Training	Total
Revenues			
Local sources	$ 3,427	$ 6,979	$ 10,406
State sources	-	1,456	1,456
Total revenues	3,427	8,435	11,862
Expenditures			
Salaries and benefits	691	-	691
Purchased services	-	4,970	4,970
Supplies and materials	53	-	53
Total expenditures	744	4,970	5,714
Net change in fund balance	2,683	3,465	6,148
Fund balance - beginning	34,905	26,376	61,281
Fund balance - ending	$ 37,588	$ 29,841	$ 67,429

See accompanying Independent Auditors' Report.

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND

For the year ended June 30, 2017

SCHOOL FACILITY OCCUPATION TAX	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Assets				
Cash and cash equivalents	$ -	$ 2,163,700	$ (2,163,700)	$ -
Due from other governments	544,493	775,849	(544,493)	775,849
Total assets	$ 544,493	$ 2,939,549	$ (2,708,193)	$ 775,849
Liabilities				
Due to other governments	$ 544,493	$ 2,939,549	$ (2,708,193)	$ 775,849
Total liabilities	$ 544,493	$ 2,939,549	$ (2,708,193)	$ 775,849

See accompanying Independent Auditors' Report.