

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

FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018

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

For the Year Ended June 30, 2018

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

OFFICIALS

For the Year Ended June 30, 2018

Regional Superintendent
(Current and During the Audit Period)

Ms. Julie Wollerman

Assistant Regional Superintendent
(Current and During the Audit Period)

Ms. Annette Hartlieb

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, 2018

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	3
Repeated audit findings	2	2
Prior recommendations implemented or not repeated	1	0

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

SUMMARY OF FINDINGS AND RESPONSES

Item No.	Page	Description	Finding Type
<i>FINDINGS (GOVERNMENT AUDITING STANDARDS)</i>			
2018-001	10a	Controls over Financial Statement Preparation	Significant Deficiency
2018-002	10c	Internal Controls over Payroll and Grant Compliance	Significant Deficiency/ Noncompliance
2018-003	10e	Delay of Audit	Noncompliance

PRIOR AUDIT FINDINGS NOT REPEATED (*GOVERNMENT AUDITING STANDARDS*)

2017-003	12	Obligations not Properly Reported on Expenditure Reports
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EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with the Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3 personnel at an exit conference on April 17, 2019. Attending were Julie Wollerman, Regional Superintendent, Jill Wright, Division Administrator-Central Office, and Megan Coy, CPA, Manager, Doehring, Winders & Co. LLP. The Regional Office's responses to the recommendations and corrective action plans were provided by Julie Wollerman, Regional Superintendent, in emails dated March 20-21, 2019.

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

FINANCIAL STATEMENT REPORT SUMMARY

For the Year Ended June 30, 2018

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 61988

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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 and Note 13 to the financial statements, in the year ended June 30, 2018, the Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3 implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85, *Omnibus 2017*, which caused a material change in comparability to prior year financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents 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 supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents is 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 25, 2019, 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 25, 2019

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, 2018, 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 25, 2019.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2018-001 and 2018-002 that we consider 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 2018-002 and 2018-003.

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 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 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.

SIGNED ORIGINAL ON FILE

Mattoon, Illinois
April 25, 2019

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

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2018

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? No
- Significant deficiency identified? Yes
- Noncompliance material to financial statements noted? No

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

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2018

Section II - Financial Statement Findings

FINDING NO. 2018-001 - Controls Over Financial Statement Preparation (Repeat of Findings 17-001, 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 separate fund financial statements for governmental and proprietary funds. Required proprietary fund statements include (a) statement of net position, (b) statement of revenues, expenses, and changes in fund net position, and (c) statement of cash flows using the direct method.

GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 85, *Omnibus 2017*, require governments to record and present net OPEB liabilities/assets, deferred outflows of resources, deferred inflows of resources, and OPEB 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 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 following issues were noted in the ROE's draft financial statements submitted to the auditors, which were subsequently corrected:

- The ROE's Statement of Cash Flows - Proprietary Fund included errors in net cash provided (used) during FY18, incorrect beginning and ending cash and cash equivalents, and the reconciliation of operating income to net cash provided by operating activities did not agree to the net cash provided by operating activities.
- The ROE's Financial Statement Notes were not updated for the implementation of GASB 75 for the Teacher's Health Insurance Security (THIS) Fund. Required Supplementary Information (RSI) omitted the Schedule of Employer's Proportionate Share of the Other Postemployment Benefit Liability - THIS Fund and the Schedule of Employer Contributions - THIS Fund.

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

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

For the Year Ended June 30, 2018

Section II - Financial Statement Findings (Continued)

FINDING NO. 2018-001 - Controls Over Financial Statement Preparation (Repeat of Findings 17-001, 16-001, and 15-001) (Continued)

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, the preparation of the cash flow statement for the proprietary fund will take some training before they can adequately complete it. ROE personnel were also unaware of the disclosure and RSI requirements of GASB 75 for the THIS Fund.

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:

ROE 3 will be hiring an outside firm to assist and review in the preparation of these statements for the next audit.

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

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

For the Year Ended June 30, 2018

Section II - Financial Statement Findings (Continued)

FINDING NO. 2018-002 - Internal Controls over Payroll and Grant Compliance (Repeat of Finding 17-002 and 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, Regional office employees, who are partially paid from a federal or state program, prepared time sheets using the budgeted percentage allocation from their quarterly time and effort studies rather than documenting their actual time spent on each program.

Effect:

Since budgeted amounts were used to allocate the salary and benefit costs of certain employees who only work part of the time on a federal or state award program, there is an increased risk that the salary and benefit costs charged to federal and state 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.

Cause:

According to ROE's management, proper time sheets were not maintained in order to compare actual time spent to budgeted time spent in order to provide amounts charged to programs that were accurate, allowable, and properly allocated.

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

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

For the Year Ended June 30, 2018

Section II - Financial Statement Findings (Continued)

FINDING NO. 2018-002 - Internal Controls over Payroll and Grant Compliance (Repeat of Finding 17-002 and 16-002) (Continued)

Recommendation:

The Regional Office should develop and implement written policies and procedures over payroll to ensure proper controls are in place to document actual time worked on each program. Actual time worked should be compared to their time and allocation studies in order to ensure amounts charged to programs are accurate, allowable, and properly allocated as required by the Uniform Guidance and the *ISBE State and Federal Grant Administration Policy, Fiscal Requirements and Procedures* manual.

Management's Response:

ROE 3 has implemented policies and procedures for payroll. Actual time and allocation studies have been completed. Time sheets are being appropriately completed.

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

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

For the Year Ended June 30, 2018

Section II - Financial Statement Findings (Continued)

FINDING NO. 2018-003 - Delay of Audit

Criteria/Specific Requirement:

Regional Office of Education No. 3 is subject to 105 ILCS 5/2-3.17a which requires the Auditor General's office to cause an audit to be made, as of June 30th of each year, of the financial statements of all accounts, funds and other moneys in the care, custody or control of the regional superintendent of schools of each educational service region in the State and of each educational service center established in the School Code. The audit is to be conducted in accordance with Generally Accepted Governmental Auditing Standards.

In accordance with 105 ILCS 5/2-3.17a, the Auditor General has promulgated administrative rules and regulations to govern this process. Those rules, 74 Ill. Adm. Code 420.320 (c) (2), state that for audit purposes, each regional office of education and educational service center shall make available to the Auditor General or his designee all books and records deemed necessary to make and complete the required audits. The records shall be in auditable form by August 15 of the succeeding fiscal year. Financial reports are to be available no later than August 31 in order for the annual audit to be completed by an independent auditor selected by the Auditor General. Annual financial statements are to be prepared on an accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

In addition, prudent business practices and transparency require timely preparation and completion of financial statements.

Condition:

The Regional Office of Education No. 3 did not provide completed financial statements or financial records in the form of a general ledger trial balance in an auditable form by the August 31, 2018 deadline. An outside accounting firm was hired by the ROE to assist in the GASB 68 and GASB 75 calculations and disclosures, but not until after fieldwork was completed on September 27, 2018. Financial statements were not submitted to Special Assistant Auditors until October 18, 2018. These financial statements contained omissions of required note disclosures and required supplementary information related to GASB 75. Additionally, errors were noted on the Proprietary Fund Statement of Cash Flows and the fund financial statements lacked a breakout of OPEB expense, as required for FY18.

Effect:

When financial statements and records are not provided in a timely manner, delays in the audit occur and the usefulness of the financial statements and related findings resulting from the audit is impacted. Additionally, untimely financial statements could result in repercussions from granting agencies including a loss of funding.

Cause:

According to Regional Office of Education #3's management, they did not have adequate time to hire and/or train their accounting personnel in order to meet the August 31 deadline for fiscal year 2018.

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

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

For the Year Ended June 30, 2018

Section II - Financial Statement Findings (Continued)

FINDING NO. 2018-003 - Delay of Audit (Continued)

Recommendation:

The Regional Office of Education No. 3 should implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and 74 Ill. Adm. Code 420.320 (c) (2). Annual financial statements should be compiled on an accrual basis of accounting in accordance with GAAP. These financial statements need to be presented to the Auditor General's independent auditors for audit by the August 31 deadline.

Management's Response:

ROE 3 was unaware and not informed of the August 31, 2018 deadline. Thus, it is hard to meet a deadline you are unaware of. This date will be met in the future.

Auditors' Comment:

Regional Superintendents were reminded of the August 31st deadline for submitting financial statements in accordance with generally accepted accounting principles (GAAP) to the Auditor General's Special Assistant Auditors in September, 2017 at a meeting of the Illinois Association of Regional Superintendents of Schools (IARSS).

Information regarding the deadline and the ROEs' responsibility to comply was discussed again by the Auditor General's staff at a May 2018 meeting of the IARSS at which the Regional Office's superintendent was present. In addition to a detailed verbal discussion of the requirement at this meeting, an electronic version of the presentation was emailed to all Regional Superintendents for reference.

The requirements and due dates for the Regional Offices' annual GAAP basis financial statements are also clearly outlined in 105 ILCS 5/2-3.17a and the Auditor General's administrative rules and regulations governing this process at 74 Ill. Adm. Code 420.320 (c) (2).

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

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

For the Year Ended June 30, 2018

Corrective Action Plan

FINDING NO. 2018-001 - Controls Over Financial Statement Preparation (Repeat of Findings 17-001 , 16-001, and 15-001)

Condition:

The ROE did not have sufficient internal 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 following issues were noted in the ROE's draft financial statements submitted to the auditors, which were subsequently corrected:

- The ROE's Statement of Cash Flows - Proprietary Fund included errors in net cash provided (used) during FY18, incorrect beginning and ending cash and cash equivalents, and the reconciliation of operating income to net cash provided by operating activities did not agree to the net cash provided by operating activities.
- The ROE's Financial Statement Notes were not updated for the implementation of GASB 75 for the Teacher's Health Insurance Security (THIS) Fund. Required Supplementary Information (RSI) omitted the Schedule of Employer's Proportionate Share of the Other Postemployment Benefit Liability - THIS Fund and the Schedule of Employer Contributions - THIS Fund.

Plan:

ROE 3 has confirmed services through an outside CPA firm for assisting us with these requirements for next year.

Anticipated Date of Completion:

February 1, 2019

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

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS (CONTINUED)

For the Year Ended June 30, 2018

Corrective Action Plan (Continued)

FINDING NO. 2018-002 - Internal Controls over Payroll and Grant Compliance (Repeat of Finding 17-002 and 16-002)

Condition:

Based on testing performed and discussion with Regional Office personnel, Regional office employees, who are partially paid from a federal or state program, prepared time sheets using the budgeted percentage allocation from their quarterly time and effort studies rather than documenting their actual time spent on each program.

Plan:

Appropriate recording of hours on task per allocation of duties is currently taking place.

Anticipated Date of Completion:

July 1, 2018

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

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS (CONTINUED)

For the Year Ended June 30, 2018

Corrective Action Plan (Continued)

FINDING NO. 2018-003 - Delay of Audit

Condition:

The Regional Office of Education No. 3 did not provide completed financial statements or financial records in the form of a general ledger trial balance in an auditable form by the August 31, 2018 deadline. An outside accounting firm was hired by the ROE to assist in the GASB 68 and GASB 75 calculations and disclosures, but not until after fieldwork was completed on September 27, 2018. Financial statements were not submitted to Special Assistant Auditors until October 18, 2018. These financial statements contained omissions of required note disclosures and required supplementary information related to GASB 75. Additionally, errors were noted on the Proprietary Fund Statement of Cash Flows and the fund financial statements lacked a breakout of OPEB expense, as required for FY18.

Plan:

All documents will be submitted by the August 31 deadline in the future.

Anticipated Date of Completion:

August 31, 2019

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, 2018

2017-003	Obligations not Properly Reported on Expenditure Reports	Not repeated
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During the prior audit, it was noted that the ROE recorded an obligation in the wrong accounting period. With our testing performed during the current audit period, no such exceptions were noted.

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

June 30, 2018

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Current assets			
Cash and cash equivalents	\$ 1,110,892	\$ 164,666	\$ 1,275,558
Due from (to) other funds	(150,954)	150,954	-
Due from other governments:	241,500	8,880	250,380
Total current assets	<u>1,201,438</u>	<u>324,500</u>	<u>1,525,938</u>
Noncurrent assets			
Capital assets, net of depreciation	49,858	-	49,858
Total noncurrent assets	<u>49,858</u>	<u>-</u>	<u>49,858</u>
Total assets	<u>1,251,296</u>	<u>324,500</u>	<u>1,575,796</u>
Deferred outflows of resources			
Deferred outflows related to OPEB	95,610	-	95,610
Deferred outflows related to pensions	790,286	-	790,286
Total deferred outflows of resources	<u>885,896</u>	<u>-</u>	<u>885,896</u>
Liabilities			
Current liabilities			
Salary and benefits payable	67,128	-	67,128
Due to other governments:	21,647	-	21,647
Total current liabilities	<u>88,775</u>	<u>-</u>	<u>88,775</u>
Noncurrent liabilities			
Net OPEB liability	784,840	-	784,840
Net pension liability	844,530	-	844,530
Total noncurrent liabilities	<u>1,629,370</u>	<u>-</u>	<u>1,629,370</u>
Total liabilities	<u>1,718,145</u>	<u>-</u>	<u>1,718,145</u>
Deferred inflows of resources			
Deferred inflows related to OPEB	93,900	-	93,900
Deferred inflows related to pensions	438,101	-	438,101
Total deferred inflows of resources	<u>532,001</u>	<u>-</u>	<u>532,001</u>
Net position			
Net investment in capital assets	49,858	-	49,858
Restricted for educational purposes	270,811	-	270,811
Unrestricted	<u>(433,623)</u>	<u>324,500</u>	<u>(109,123)</u>
Total net position	<u>\$ (112,954)</u>	<u>\$ 324,500</u>	<u>\$ 211,546</u>

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, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instructional Services:						
Salaries and benefits	\$ 1,622,144	\$ -	\$ 875,224	\$ (746,920)	\$ -	\$ (746,920)
Purchased services	481,430	-	299,100	(182,330)	-	(182,330)
Supplies and materials	84,174	-	62,384	(21,790)	-	(21,790)
Capital outlay	-	-	3,555	3,555	-	3,555
OPEB expense	72,118	-	1,106	(71,012)	-	(71,012)
Pension expense	301,364	-	65,795	(235,569)	-	(235,569)
Depreciation	25,869	-	-	(25,869)	-	(25,869)
Intergovernmental:						
Payments to other governmental units	441,846	-	167,539	(274,307)	-	(274,307)
Administrative:						
On-behalf payments - local	42,389	-	-	(42,389)	-	(42,389)
On-behalf payments - State	851,145	-	-	(851,145)	-	(851,145)
Total governmental activities	<u>3,922,479</u>	<u>-</u>	<u>1,474,703</u>	<u>(2,447,776)</u>	<u>-</u>	<u>(2,447,776)</u>
Business-type activities						
Fees for services	<u>16,923</u>	<u>62,554</u>	<u>-</u>	<u>-</u>	<u>45,631</u>	<u>45,631</u>
Total business-type activities	<u>16,923</u>	<u>62,554</u>	<u>-</u>	<u>-</u>	<u>45,631</u>	<u>45,631</u>
Total primary government	<u>\$ 3,939,402</u>	<u>\$ 62,554</u>	<u>\$ 1,474,703</u>	<u>(2,447,776)</u>	<u>45,631</u>	<u>(2,402,145)</u>
General Revenues:						
Local sources				529,608	-	529,608
State sources				924,348	-	924,348
On-behalf payments - local				42,389	-	42,389
On-behalf payments - State				851,145	-	851,145
Gain on disposal of capital assets				-	140	140
Interest				2,080	-	2,080
Total general revenues				<u>2,349,570</u>	<u>140</u>	<u>2,349,710</u>
Change in net position				(98,206)	45,771	(52,435)
Net position - beginning (restated-see Note 13)				(14,748)	278,729	263,981
Net position - ending				<u>\$ (112,954)</u>	<u>\$ 324,500</u>	<u>\$ 211,546</u>

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, 2018

	General Fund	Education Fund	Institute	Other Nonmajor Funds	Eliminations	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 835,550	\$ 62,273	\$ 138,234	\$ 74,835	\$ -	\$ 1,110,892
Due from other funds	46,892	-	-	-	(46,892)	-
Due from other governments	157	241,127	-	216	-	241,500
Total assets	\$ 882,599	\$ 303,400	\$ 138,234	\$ 75,051	\$ (46,892)	\$ 1,352,392
Liabilities						
Salary and benefits payable	\$ 40,747	\$ 26,381	\$ -	\$ -	\$ -	\$ 67,128
Due to other funds	-	197,846	-	-	(46,892)	150,954
Due to other governments	-	21,647	-	-	-	21,647
Total liabilities	40,747	245,874	-	-	(46,892)	239,729
Deferred inflows of resources						
Unavailable revenue	90	79,105	-	-	-	79,195
Fund balance (deficit)						
Restricted	-	57,200	138,234	75,051	-	270,485
Assigned	662,712	-	-	-	-	662,712
Unassigned	179,050	(78,779)	-	-	-	100,271
Total fund balance (deficit)	841,762	(21,579)	138,234	75,051	-	1,033,468
Total liabilities, deferred inflows of resources and fund balance (deficit)	\$ 882,599	\$ 303,400	\$ 138,234	\$ 75,051	\$ (46,892)	\$ 1,352,392

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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, 2018

Total Fund balances - governmental funds		\$ 1,033,468
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.		49,858
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.		79,195
Pension & OPEB 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:		
OPEB deferred outflows of resources	\$ 95,610	
OPEB deferred inflows of resources	(93,900)	
IMRF deferred outflows of resources	185,769	
IMRF deferred inflows of resources	(413,445)	
TRS deferred outflows of resources	604,517	
TRS deferred inflows of resources	<u>(24,656)</u>	353,895
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Net OPEB liability	(784,840)	
IMRF net pension liability	(74)	
TRS net pension liability	<u>(844,456)</u>	<u>(1,629,370)</u>
Net position of governmental activities		<u>\$ (112,954)</u>

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, 2018

	General Fund	Education Fund	Institute	Other Nonmajor Funds	Eliminations	Total Governmental Funds
Revenues						
Local sources	\$ 463,755	\$ 19,447	\$ 54,136	\$ 11,158	\$ -	\$ 548,496
Local sources-on-behalf payments	42,389	-	-	-	-	42,389
State sources	922,929	1,130,390	-	1,419	-	2,054,738
State sources-on-behalf payments	271,070	-	-	-	-	271,070
Federal sources	-	462,940	-	-	-	462,940
Interest	2,080	-	-	-	-	2,080
Total revenues	<u>1,702,223</u>	<u>1,612,777</u>	<u>54,136</u>	<u>12,577</u>	<u>-</u>	<u>3,381,713</u>
Expenditures						
Instructional services:						
Salaries and benefits	734,772	878,222	9,150	-	-	1,622,144
Purchased services	164,483	300,125	11,917	4,905	-	481,430
Supplies and materials	21,526	62,598	-	50	-	84,174
Pension expense	54,910	66,020	1,175	-	-	122,105
OPEB expense	4,794	1,110	-	-	-	5,904
On-behalf payments	313,459	-	-	-	-	313,459
Intergovernmental:						
Payments to other governmental units	273,733	168,113	-	-	-	441,846
Capital outlay	600	3,555	-	-	-	4,155
Total expenditures	<u>1,568,277</u>	<u>1,479,743</u>	<u>22,242</u>	<u>4,955</u>	<u>-</u>	<u>3,075,217</u>
Excess of revenues over expenditures	<u>133,946</u>	<u>133,034</u>	<u>31,894</u>	<u>7,622</u>	<u>-</u>	<u>306,496</u>
Other financing sources (uses):						
Transfers in	-	3,093	-	-	(3,093)	-
Transfers out	(3,093)	-	-	-	3,093	-
Total other financing sources (uses)	<u>(3,093)</u>	<u>3,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	130,853	136,127	31,894	7,622	-	306,496
Fund balance (deficit), beginning of year	710,909	(157,706)	106,340	67,429	-	726,972
Fund balance (deficit), end of year	<u>\$ 841,762</u>	<u>\$ (21,579)</u>	<u>\$ 138,234</u>	<u>\$ 75,051</u>	<u>\$ -</u>	<u>\$ 1,033,468</u>

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, 2018

Net change in fund balances		\$	306,496
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>			
<p>Some revenues will not be collected for several months after the Regional Office fiscal year ends, they are not considered "available" revenues and are deferred inflows of resources in the governmental funds.</p>			
Current year unavailable revenue		\$ 79,195	
Prior year unavailable revenue		<u>(216,710)</u>	(137,515)
<p>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.</p>			
Net OPEB expense		(66,214)	
Net Pension expense		<u>(179,259)</u>	(245,473)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>			
Capital outlay		4,155	
Depreciation		<u>(25,869)</u>	<u>(21,714)</u>
Change in net position of governmental activities			<u><u>\$ (98,206)</u></u>

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, 2018

	Business-Type Activities
	Enterprise Fund Workshops
Assets	
Current assets	
Cash and cash equivalents	\$ 164,666
Due from other funds	150,954
Due from other governments	8,880
Total current assets	324,500
Noncurrent assets	
Capital assets, net of depreciation	-
Total noncurrent assets	-
Total assets	324,500
Liabilities	-
Net position	
Net investment in capital assets	-
Unrestricted	324,500
Total net position	\$ 324,500

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, 2018

	Business-Type Activities
	Enterprise Fund Workshops
Operating revenues	
Charges for services	\$ 62,554
Total operating revenues	62,554
Operating expenses	
Purchased services	14,314
Supplies and materials	1,751
Payment to other governmental units	858
Total operating expenses	16,923
Operating income	45,631
Nonoperating revenue	
Gain on sale of capital assets	140
Total nonoperating revenue	140
Change in net position	45,771
Net position - beginning	278,729
Net position - ending	\$ 324,500

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, 2018

	Business-Type Activities
	Enterprise Fund Workshops
Cash flows from operating activities:	
Collection of fees	\$ 55,310
Payments to suppliers and providers of goods and services	(16,923)
Net cash provided by operating activities	38,387
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	140
Net cash provided by capital and related financing activities	140
Cash flows from noncapital financing activities:	
Payments for interfund borrowing, net	39,508
Net cash provided by noncapital financing activities	39,508
Net increase in cash and cash equivalents	78,035
Cash and cash equivalents - beginning of year	86,631
Cash and cash equivalents - end of year	\$ 164,666
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 45,631
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) in due from other governments	(7,244)
Net cash provided by operating activities	\$ 38,387

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, 2018

	<u>Agency Funds</u>
Assets	
Due from other governments	<u>\$ 1,574,396</u>
Total assets	<u><u>\$ 1,574,396</u></u>
Liabilities	
Due to other governments	<u>\$ 1,574,396</u>
Total liabilities	<u><u>\$ 1,574,396</u></u>

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

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

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.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL REPORTING ENTITY (Continued)

For the period ended June 30, 2018, 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 2018, the Regional Office of Education No. 3 implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 85, *Omnibus 2017*. The Regional Office of Education No. 3 implemented these standards during the current year. The implementation of GASB Statement No. 75 established new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. GASB Statement No. 85 addresses certain practice issues identified during implementation and application of other GASB Statements, including GASB Statement No. 75.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, and GASB Statement No. 86, *Certain Debt Extinguishment Issues* also became effective for the current year, but these statements had no impact on the Regional Office of Education No. 3's financial statements.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

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 of resources, are included in the accompanying Statement of Net Position. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges for services and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function.

Separate financial statements are provided for governmental funds, 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.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

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.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

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.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

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 (EBF) – This fund accounts for Evidence-Based Funding received to support the Truants Alternative/Optional Education Program.

Regional Safe Schools Program (EBF) – This fund accounts for Evidence-Based Funding 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.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

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.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUND BALANCES (Continued)

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 EBF, Regional Safe Schools Program EBF, 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, Adult Education & Family Literacy, 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.

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, and Early Childhood Block Grant.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
Food Service Equipment	10 years

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the Regional Office of Education No. 3's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Regional Office of Education No. 3's OPEB Plan and additions to/deductions from the Regional Office of Education No. 3's fiduciary net position have been determined on the same basis as they are reported by the Regional Office of Education No. 3's Plan. For this purpose, the Regional Office of Education No. 3's Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

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.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COMPENSATED ABSENCES (Continued)

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.

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 or OPEB 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 and OPEB.

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, 2018, the carrying amount of the Regional Office of Education No. 3's Government-wide deposits were \$1,275,558, and the bank balances were \$1,882,514. Of the total bank balances as of June 30, 2018, \$295,617 was secured by federal depository insurance and \$1,586,897 was collateralized by securities pledged by the Regional Office of Education No. 3's financial institution in the name of the Regional Office.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

2 DEPOSITS AND INVESTMENTS (Continued)

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.

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, 2018, 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, 2018, 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, 2018:

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

3 CAPITAL ASSETS (Continued)

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities				
Office equipment and furniture	\$ 62,499	\$ 600	\$ 4,039	\$ 59,060
Computer equipment	73,653	1,816	13,680	61,789
Other equipment and leasehold improvements	114,393	1,739	-	116,132
Governmental activities total assets	<u>250,545</u>	<u>4,155</u>	<u>17,719</u>	<u>236,981</u>
Less accumulated depreciation	<u>178,973</u>	<u>25,869</u>	<u>17,719</u>	<u>187,123</u>
Governmental activities investment in capital assets, net	<u>\$ 71,572</u>	<u>\$ (21,714)</u>	<u>\$ -</u>	<u>\$ 49,858</u>
Business-type activities				
Office equipment and furniture	\$ 19,247	\$ -	\$ 4,898	\$ 14,349
Computer equipment	18,357	-	1,165	17,192
Other equipment and leasehold improvements	4,650	-	-	4,650
Business-type activities total assets	<u>42,254</u>	<u>-</u>	<u>6,063</u>	<u>36,191</u>
Less accumulated depreciation	<u>42,254</u>	<u>-</u>	<u>6,063</u>	<u>36,191</u>
Business-type activities investment in capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2018 of \$25,869 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 an agent 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.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

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, 2017, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and Beneficiaries currently receiving benefits	22
Inactive Plan Members entitled to but not yet receiving benefits	30
Active Plan Members	<u>23</u>
Total	<u><u>75</u></u>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

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 2017 was 14.04%. For the fiscal year ended June 30, 2018, the Regional Office of Education No. 3 contributed \$111,865 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, 2017. 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, 2017:

- 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 2.50%.
- Salary Increases were expected to be 3.39% to 14.25%, 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 2017 valuation according to an experience study from years 2014 to 2016.
- For **Non-Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates 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-2017 (base year 2015). 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-2017 (base year 2015). 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, 2017:

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

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

ACTUARIAL ASSUMPTIONS (Continued)

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	37%	6.85%
International Equity	18%	6.75%
Fixed Income	28%	3.00%
Real Estate	9%	5.75%
Alternative Investments	7%	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 3.31%, and the resulting single discount rate is 7.50%.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

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, 2016	\$ 4,585,083	\$ 4,070,206	\$ 514,877
Changes for the year:			
Service Cost	78,911	-	78,911
Interest on the Total Pension Liability	339,366	-	339,366
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(46,009)	-	(46,009)
Changes of Assumptions	(137,697)	-	(137,697)
Contributions - Employer	-	110,535	(110,535)
Contributions - Employees	-	35,428	(35,428)
Net Investment Income	-	606,692	(606,692)
Benefit Payments, including Refunds of Employee Contributions	(199,327)	(199,327)	-
Other (Net Transfer)	-	(3,281)	3,281
Net Changes	<u>35,244</u>	<u>550,047</u>	<u>(514,803)</u>
Balances at December 31, 2017	<u>\$ 4,620,327</u>	<u>\$ 4,620,253</u>	<u>\$ 74</u>

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

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

	1% Lower (6.50%)	Current Discount (7.50%)	1% Higher (8.50%)
Net Pension Liability	\$ 606,395	\$ 74	\$ (496,654)

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

For the year ended June 30, 2018, the Regional Office of Education No. 3 recognized pension expense of \$76,645. At June 30, 2018, the Regional Office of Education No. 3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

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

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

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ 17,110	\$ 53,844
Changes of assumptions	-	93,889
Net difference between projected and actual earnings on pension plan investments	113,171	265,712
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	130,281	413,445
<i>Pension contributions made subsequent to the measurement date</i>	55,488	-
Total Deferred Amounts Related to Pensions	\$ 185,769	\$ 413,445

\$55,488 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, 2019.

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 Inflows of Resources
2018	\$ (63,826)
2019	(81,289)
2020	(76,385)
2021	(61,664)
Thereafter	-
Total	\$ (283,164)

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

5 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

PLAN DESCRIPTION

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/cafrs/fy2017>; 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.

Public Act 100-0023, enacted in 2017, creates an optional Tier 3 hybrid retirement plan, but it has not yet gone into effect. The earliest possible implementation date is July 1, 2019.

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, 2017 was 9.0 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

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, 2018, 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 \$506,944 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, 2018 were \$3,891 and are deferred because they were paid after the June 30, 2017 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 Public Act 100-0340, the federal and special trust fund contribution rate is the total employer normal cost beginning with the year ended June 30, 2018.

Previously, employer contributions for employers paid from federal and special trust funds were at the same rate as the state contribution rate to TRS and were much higher.

For the year ended June 30, 2018, the employer pension contribution was 10.10 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2018, salaries totaling \$70,000 were paid from federal and special trust funds that required employer contributions of \$7,070. These contributions are deferred because they were paid after the June 30, 2017 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 Early Retirement Option (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, 2018, 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, 2018, 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.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

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, 2018, 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	\$	844,456
State's proportionate share of the net pension liability associated with the employer		5,151,070
Total	\$	5,995,526

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, and rolled forward to June 30, 2017. 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, 2017, relative to the contributions of all participating TRS employers and the State during that period. At June 30, 2017, the Regional Office of Education No. 3's proportion was 0.0011053358 percent, which was an increase of 0.0005202365 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Regional Office of Education No. 3 recognized pension expense of \$506,944 and revenue of \$506,944 for support provided by the State. For the year ended June 30, 2018, the Regional Office of Education No. 3 recognized pension expense of \$225,439. At June 30, 2018, 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	\$ 9,172	\$ 390
Net difference between projected and actual earnings on pension plan investments	579	-
Changes of assumptions	56,361	24,266
Changes in proportion and difference between employer contributions and proportionate share of contributions	527,444	-
Employer contributions subsequent to the measurement date	10,961	-
	\$ 604,517	\$ 24,656

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

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 (Continued)

\$10,961 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, 2019. 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	Net Deferred Outflows of Resources
2019	\$ 156,610
2020	164,822
2021	159,045
2022	79,266
2023	9,157
	\$ 568,900

ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2017 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 adjustments as appropriate for TRS experience. The rates are used on a fully-generational basis using projection table MP-2014. The same assumptions were used in the June 30, 2016 actuarial valuation.

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:

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

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

ACTUARIAL ASSUMPTIONS (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, 2017, the discount rate used to measure the total pension liability was a blended rate of 7.0 percent, which was a change from the June 30, 2016 rate of 6.83 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, 2017 was projected to be available to make all projected future benefit payments of current active and inactive members and all benefits recipients. Tier 1's liability is partially-funded by Tier 2 members, as the Tier 2 member contribution is higher than the cost of Tier 2 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. All projected future payments were covered, so the long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

At June 30, 2016, the discount rate used to measure the total pension liability was 6.83 percent. The discount rate was lower than the actuarially-assumed rate of return on investments that year because TRS's fiduciary net position and the subsidy provided by Tier 2 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 7.00 percent, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Employer's proportionate share of the net pension liability	\$ 1,037,524	\$ 844,456	\$ 686,317

TRS FIDUCIARY NET POSITION

Detailed information about the TRS's fiduciary net position as of June 30, 2017 is available in the separately issued TRS Comprehensive Annual Financial Report.

CHANGES IN NET PENSION LIABILITY - TRS

Net Pension Liability - TRS - June 30, 2017	\$ 461,854
Additions	382,602
Deletions	-
Net Pension Liability - TRS - June 30, 2018	\$ 844,456

6 TEACHER'S HEALTH INSURANCE SECURITY FUND

THIS PLAN DESCRIPTION

The Regional Office of Education No. 3 participates in the Teachers' Health Insurance Security (THIS) fund. The THIS fund is a non-appropriated trust fund held outside the State Treasury, with the State Treasurer as custodian. Additions deposited into the Trust are for the sole purpose of providing the health benefits to retirees, as established under the plan, and associated administrative costs. The THIS fund is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers retired employees of participating employers throughout the State of Illinois, excluding the Chicago Public School System. THIS health coverage includes provisions for medical, prescription, and behavioral health benefits, but does not provide vision, dental, or life insurance benefits. Annuitants may participate in the State administered Preferred Provider Organization plan or choose from several managed care options. As a result of the Governor's Executive Order 12-01, the responsibilities in relation to THIS were transferred to the Department of Central Management Services (Department) as of July 1, 2013. The Department administers the plan with the cooperation of the Teachers' Retirement System (TRS).

BENEFITS PROVIDED

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 Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 required all active contributors to TRS who are not employees of the State to make a contribution to the THIS Fund.

A 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.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

6 TEACHER'S HEALTH INSURANCE SECURITY FUND (Continued)

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. For the year ended June 30, 2018, State of Illinois contributions recognized by the Regional Office of Education No. 3 were based on the State's proportionate share of the collective net OPEB liability associated with the Regional Office of Education No. 3, and recognized revenue and expenditures of \$73,131 in OPEB contributions from the State of Illinois.

EMPLOYER CONTRIBUTIONS TO THIS FUND

The Regional Office of Education No. 3 also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.88 percent during the year ended June 30, 2018, and 0.84 and 0.80 percent during the years ended June 30, 2017 and 2016, respectively. For the year ended June 30, 2018, the Regional Office of Education No. 3 paid \$5,904 to the THIS Fund, which was 100 percent of the required contribution. For the years ended June 30, 2017 and 2016, the Regional Office of Education No. 3 paid \$5,844 and \$4,927 to the THIS Fund, respectively, which was 100 percent of the required contribution.

FURTHER INFORMATION ON THE THIS FUND

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

ACTUARIAL ASSUMPTIONS

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation:	2.75 percent
Salary increase:	Depends on service and ranges from 9.25% at 1 year of service to 3.25% at 20 or more years of service. Salary increase includes a 3.25% wage inflation assumption
Investment rate of return:	0%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates:	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.00% and 9.00% for non-Medicare costs and post-Medicare costs, respectively, and gradually decreases to an ultimate trend of 4.50%. Additional trend rate of 0.59% is added to non-Medicare costs on and after 2020 to account for the Excise Tax.

Mortality rates for retirement and beneficiary annuitants were based on the RP-2014 White Collar Annuitant Mortality Table, adjusted for TRS experience. For disabled annuitants mortality rates were based on the RP-Disabled Annuitant table. Mortality rates for pre-retirement were based on the RP-2014 White Collar Table. All tables reflect future mortality improvements using Projection Scale MP-2014.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

6 TEACHER'S HEALTH INSURANCE SECURITY FUND (Continued)

ACTUARIAL ASSUMPTIONS (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2014.

SINGLE DISCOUNT RATE

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

Since the THIS fund is financed on a pay-as-you-go basis, the sponsor has selected a discount rate consistent with the 20-year general obligation bond index described above. The discount rates are 2.85 percent as of June 30, 2016, and 3.56 percent as of June 30, 2017.

SENSITIVITY OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the Regional Office of Education No. 3's proportionate share of the collective net OPEB liability, as well as what the ROE's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Employer's proportionate share of the collective net OPEB liability	\$ 941,654	\$ 784,840	\$ 659,139

SENSITIVITY OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES

The following table shows the Regional Office of Education No. 3's net OPEB liability as of June 30, 2017, using current trend rates and sensitivity trend rates that are either 1-percentage-point higher or lower. The key trend rates are 8.00% in 2018 decreasing to an ultimate trend rate of 5.09% in 2025, for non-Medicare coverage, and 9.00% in 2018 decreasing to an ultimate trend rate of 4.50% in 2027 for Medicare coverage.

	Healthcare Cost		
	1% Decrease ^a	Trend Rates	1% Increase ^b
Employer's proportionate share of the collective net OPEB liability	\$ 633,345	\$ 784,840	\$ 1,001,980

^a One percentage point decrease in healthcare trend rates are 7.00% in 2018 decreasing to an ultimate rate of 4.09% in 2025 for non-Medicare coverage, and 8.00% in 2018 decreasing to an ultimate trend rate of 3.50% in 2027 for Medicare coverage.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

6 TEACHER'S HEALTH INSURANCE SECURITY FUND (Continued)

SENSITIVITY OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES (Continued)

^b One percentage point increase in healthcare trend rates are 9.00% in 2018 decreasing to an ultimate trend rate of 6.09% in 2025, for non-Medicare coverage, and 10.00% in 2018 decreasing to an ultimate trend rate of 5.50% in 2027 for Medicare coverage.

OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

At June 30, 2018, the Regional Office of Education No. 3 reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the Regional Office of Education No. 3. The amount recognized by the Regional Office of Education No. 3 as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Regional Office of Education No. 3 were as follows:

Employers proportionate share of the net OPEB liability	\$ 784,840
State's proportionate share of the net OPEB liability associated with the employer	<u>1,030,608</u>
Total	<u>\$ 1,815,448</u>

The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2016, and was rolled forward to the June 30, 2017 measurement date. The Regional Office of Education No. 3's proportion of the collective net OPEB liability was based on a projection of the Regional Office of Education No. 3's long-term share of contributions to the OPEB plan relative to the projected contributions of the Regional Office of Education No. 3, actuarially determined. At June 30, 2017, the Regional Office of Education No. 3's proportion was 0.003024 percent, which was an increase of 0.00038 percent from its proportion measured as of June 30, 2016 (0.002644 percent). The State's support and total are for disclosure purposes only.

For the year ending June 30, 2018, the Regional Office of Education No. 3 recognized OPEB expense of \$73,131 and revenue of \$73,131 for support provided by the State. For the year ending June 30, 2018, the Regional Office of Education No. 3 recognized OPEB expense of \$72,118. At June 30, 2018, the Regional Office of Education No. 3 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

6 TEACHER'S HEALTH INSURANCE SECURITY FUND (Continued)

OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 445
Net difference between projected and actual investment earnings on OPEB plan investments	-	9
Changes of assumptions	-	93,446
Changes in proportion and differences between employer contributions and proportionate share of contributions	89,706	-
Employer contributions subsequent to the measurement date	5,904	-
Total deferred amounts related to OPEB	\$ 95,610	\$ 93,900

\$5,904 reported as deferred outflows of resources related to OPEB resulting from Regional Office of Education No. 3 contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Regional Office of Education No. 3's OPEB expense as follows:

Year ending June 30,	Net Deferred Inflows of Resources
2019	\$ (645)
2020	(645)
2021	(645)
2022	(645)
2023	(643)
Thereafter	(971)
	\$ (4,194)

THIS FIDUCIARY NET POSITION

Detailed information about the THIS Fund fiduciary net position as of June 30, 2017, is available in the separately issued THIS Financial Report.

CHANGES IN NET OPEB LIABILITY - THIS

Net OPEB Liability - THIS - June 30, 2017	\$ 722,760
Additions	62,080
Deletions	-
Net OPEB Liability - THIS - June 30, 2018	\$ 784,840

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

7 INTERFUND ACTIVITY

DUE TO/FROM OTHER FUNDS

Interfund due to/from other fund balances at June 30, 2018 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 EBF	\$ 46,892	\$ -
Education Fund		
Truants Alternative/Optional Education	-	13,538
Adult Education & Family Literacy	-	22,721
Regional Safe Schools	-	10,632
McKinney Education for Homeless Children	-	42,655
Title I - School Improvement System of Support	-	13,284
Early Childhood Block Grant	-	95,016
Proprietary Fund		
Enterprise Fund Workshops	150,954	-
Total	\$ 197,846	\$ 197,846

TRANSFERS

Interfund transfers in/out to other fund balances at June 30, 2018, 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 Early Childhood Block Grant from General. The transfer balances between governmental funds were eliminated in the government-wide Statement of Activities.

Fund	Transfer In	Transfer Out
General Fund		
General	\$ -	\$ 3,093
Education Fund		
Early Childhood Block Grant	3,093	-
Total	\$ 3,093	\$ 3,093

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.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

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, 2018, were as follows:

Bond County	
Office Staff Benefits	\$ 10,348
Christian County	
Office Staff Benefits	8,398
Effingham County	
Office Staff Benefits	7,081
Fayette County	
Office Staff Benefits	16,562
	<u>\$ 42,389</u>

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

Regional Superintendent Salary	\$ 115,176
Regional Superintendent Fringe Benefit (Includes State paid insurance)	33,599
Assistant Regional Superintendent Salary	103,656
Assistant Regional Superintendent Fringe Benefit (Includes State paid insurance)	18,639
Total	<u>\$ 271,070</u>

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

The Regional Office of Education No. 3 also recorded \$506,944 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 and \$73,131 in revenues and expenses as on behalf payments from ISBE for the Regional Office's share of the Teacher Health Insurance Security (THIS) Fund OPEB 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	\$ 42,389
State of Illinois on behalf payments	271,070
ROE No. 3's share of TRS pension expense	506,944
ROE No. 3's share of THIS OPEB expense	73,131
Total	<u>\$ 893,534</u>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

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	\$ 157
	157

Education Fund

Illinois State Board of Education	200,714
Illinois Community College Board	27,129
Local Governments	13,284
	241,127

Nonmajor Special Revenue Funds:

Local Governments	216
	216

Proprietary Fund:

Local Governments	8,880
	8,880

Fiduciary Fund:

Illinois Department of Revenue	1,574,396
	\$ 1,824,776

Due to Other Governments

Education Fund

Local Governments	\$ 21,647
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Fiduciary Fund:

Local Governments	1,574,396
	\$ 1,596,043

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, 2018 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, 2018. Rent expense for 2018 totaled \$97,500. 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.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

11 OPERATING LEASE - Continued

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 2018 totaled \$4,704. Future minimum rentals are as follows for the year ending June 30:

2019	\$	4,704
2020		4,704
2021		4,704
2022		1,176
2023		-
Thereafter		-
Total	\$	<u>15,288</u>

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, 2018, the deferral of the revenues caused a deficit fund balance in the Truants Alternative/Optional Education account \$(13,534), the Adult Education & Family Literacy account \$(10,231), the Regional Safe Schools account \$(7,506), and the Early Childhood Block Grant account \$(47,508).

13 RESTATEMENT

As described in Note 1, the Regional Office of Education No. 3 implemented GASB Statement No. 75 and GASB Statement No. 85 during the year ended June 30, 2018. As a result of the implementation, the Regional Office of Education No. 3 recorded adjustments to net position for governmental activities as follows:

Governmental activities net position

Net position - July 1, 2017	\$	702,168
THIS net OPEB liability		(722,760)
THIS deferred outflows for contributions made after the measurement date		<u>5,844</u>
Net position - restated - July 1, 2017	\$	<u>(14,748)</u>

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

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

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, 2018

	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
Employer's proportion of the net pension liability	0.0011053358%	0.0005850993%	0.0005696699%	0.0005551387%
Employer's proportionate share of the net pension liability	\$ 844,456	\$ 461,854	\$ 373,191	\$ 337,848
State's proportionate share of the net pension liability associated with the employer	<u>5,151,070</u>	<u>4,888,245</u>	<u>3,110,988</u>	<u>2,428,738</u>
Total	<u>\$ 5,995,526</u>	<u>\$ 5,350,099</u>	<u>\$ 3,484,179</u>	<u>\$ 2,766,586</u>
Employer's covered payroll	\$ 695,723	\$ 615,844	\$ 481,735	\$ 400,502
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	121.4%	75.0%	77.5%	84.4%
Plan fiduciary net position as a percentage of the total pension liability	39.3%	36.4%	41.5%	43.0%

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

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Teacher's Retirement System of the State of Illinois
For the Year Ended June 30, 2018

	2018	2017	2016	2015	2014
Statutorily-required contribution	\$ 10,961	\$ 45,539	\$ 22,659	\$ 19,962	\$ 19,807
Contributions in relation to the statutorily-required contribution	10,961	45,539	22,659	19,962	19,807
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 670,951	\$ 695,723	\$ 615,844	\$ 481,735	\$ 400,502
Contributions as a percentage of covered payroll	1.6%	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.

5-

Notes to Required Supplementary Information

Changes of assumptions

For the 2017 and 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.

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Illinois Municipal Retirement Fund
Last Four 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%
2017	110,535	110,535	-	787,287	14.04%

Notes to Schedule:

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2017 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 2017 Contribution Rates:

<i>Actuarial Cost Method:</i>	Aggregate entry age = normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	26-year closed period
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	3.5%
<i>Price Inflation:</i>	2.75%, approximate; No explicit price inflation assumption is used in this valuation.
<i>Salary Increases:</i>	3.75% to 14.50%, including inflation
<i>Investment Rate of Return:</i>	7.5%
<i>Retirement Age:</i>	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.
<i>Mortality:</i>	For non-disabled retirees, 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 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 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 2012). 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, 2015, 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 Four Calendar Years

Calendar Year Ended December 31,	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 78,911	\$ 102,279	\$ 47,482	\$ 96,369
Interest on the Total Pension Liability	339,366	326,221	176,324	269,662
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(46,009)	(56,649)	171,345	101,080
Changes of Assumptions	(137,697)	-	-	134,807
Benefit Payments, including Refunds of Employee Contributions	(199,327)	(170,481)	(116,039)	(87,834)
Net Change in Total Pension Liability	35,244	201,370	279,112	514,084
Total Pension Liability - Beginning	4,585,083	4,383,713	4,104,601	3,590,517
Total Pension Liability - Ending (A)	<u>\$ 4,620,327</u>	<u>\$ 4,585,083</u>	<u>\$ 4,383,713</u>	<u>\$ 4,104,601</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 110,535	\$ 111,917	\$ 111,979	\$ 123,623
Contributions - Employees	35,428	35,145	38,434	36,672
Net Investment Income	606,692	316,325	(25,749)	204,565
Benefit Payments, including Refunds of Employee Contributions	(199,327)	(170,481)	(116,039)	(87,834)
Other (Net Transfer)	(3,281)	(4,859)	3,623	(2,702)
Net Change in Plan Fiduciary Net Position	550,047	288,047	12,248	274,324
Plan Fiduciary Net Position - Beginning	4,070,206	3,782,159	3,769,911	3,495,587
Plan Fiduciary Net Position - Ending (B)	<u>\$ 4,620,253</u>	<u>\$ 4,070,206</u>	<u>\$ 3,782,159</u>	<u>\$ 3,769,911</u>
Net Pension Liability - Ending (A) - (B)	\$ 74	\$ 514,877	\$ 601,554	\$ 334,690
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.00%	88.77%	86.28%	91.85%
Covered Valuation Payroll	\$ 787,287	\$ 781,000	\$ 854,076	\$ 814,920
Net Pension Liability as a Percentage of Covered Valuation Payroll	0.01%	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.

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

SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY
Teacher's Health Insurance Security Fund
Last Two Fiscal Years*

	2017*	2016*
Employer's proportion of the collective net OPEB liability	0.003024%	0.002644%
Employer's proportionate share of the collective net OPEB liability	\$ 784,840	\$ 722,760
Employer's covered payroll	\$ 695,723	\$ 615,844
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	112.81%	117.36%
Plan fiduciary net position as a percentage of the total OPEB liability	-0.17%	-0.22%

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2018

1 CHANGES OF BENEFIT TERMS

In the June 30, 2018 actuarial valuation, there have been no changes of benefit terms from the prior period.

2 CHANGES OF ASSUMPTIONS

Because this is implementation year of GASB 74/75, the beginning Total OPEB Liability is based on the same assumptions, data and plan provisions as the ending Total OPEB Liability. For the purpose of developing changes in OPEB Liability for GASB 74/75 reporting, there have been no changes in assumptions from the prior period.

See accompanying Independent Auditors' Report.

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS
 Teacher's Health Insurance Security Fund

<u>Fiscal Year Ended June 30</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2018	\$ 5,904	\$ 5,904	\$ -	\$ 670,951	0.88%
2017	5,844	5,844	-	695,723	0.84%
2016	4,927	4,927	-	615,844	0.80%

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, 2018

	<u>General</u>	<u>County</u>	<u>EIU</u>
Assets			
Cash and cash equivalents	\$ 125,205	\$ 56,654	\$ 1,206
Due from other funds	-	-	-
Due from other governments	157	-	-
	<u>125,362</u>	<u>56,654</u>	<u>1,206</u>
Total assets	<u>\$ 125,362</u>	<u>\$ 56,654</u>	<u>\$ 1,206</u>
Liabilities			
Salary and benefits payable	\$ -	\$ 4,082	\$ -
Total liabilities	<u>-</u>	<u>4,082</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable revenue	<u>90</u>	<u>-</u>	<u>-</u>
Fund balance			
Assigned	-	-	-
Unassigned	<u>125,272</u>	<u>52,572</u>	<u>1,206</u>
Total fund balance	<u>125,272</u>	<u>52,572</u>	<u>1,206</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 125,362</u>	<u>\$ 56,654</u>	<u>\$ 1,206</u>

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, 2018

	Attendance Officer	Curriculum COOP	Truants Alternative/ Optional Education EBF
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 15,296	\$ 6,885	\$ 398,271
Due from other funds	-	-	46,892
Due from other governments	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 15,296</u>	<u>\$ 6,885</u>	<u>\$ 445,163</u>
Liabilities			
Salary and benefits payable	\$ 729	\$ -	\$ 30,530
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>729</u>	<u>-</u>	<u>30,530</u>
Deferred Inflows of Resources			
Unavailable revenue	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Fund balance			
Assigned	14,567	6,885	414,633
Unassigned	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>14,567</u>	<u>6,885</u>	<u>414,633</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 15,296</u>	<u>\$ 6,885</u>	<u>\$ 445,163</u>

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, 2018

	Regional Safe Schools Program EBF	Tuition	Total
Assets			
Cash and cash equivalents	\$ 188,001	\$ 44,032	\$ 835,550
Due from other funds	-	-	46,892
Due from other governments	-	-	157
	<u>188,001</u>	<u>44,032</u>	<u>882,599</u>
Total assets	<u>\$ 188,001</u>	<u>\$ 44,032</u>	<u>\$ 882,599</u>
Liabilities			
Salary and benefits payable	\$ 5,406	\$ -	\$ 40,747
	<u>5,406</u>	<u>-</u>	<u>40,747</u>
Total liabilities	<u>5,406</u>	<u>-</u>	<u>40,747</u>
Deferred Inflows of Resources			
Unavailable revenue	-	-	90
	<u>-</u>	<u>-</u>	<u>90</u>
Fund balance			
Assigned	182,595	44,032	662,712
Unassigned	-	-	179,050
	<u>182,595</u>	<u>44,032</u>	<u>841,762</u>
Total fund balance	<u>182,595</u>	<u>44,032</u>	<u>841,762</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 188,001</u>	<u>\$ 44,032</u>	<u>\$ 882,599</u>

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, 2018

	General	County	EIU
Revenues			
Local sources	\$ 93,756	\$ 281,214	\$ 45,216
Local sources - on-behalf payments	42,389	-	-
State sources	-	-	-
State sources - on-behalf payments	271,070	-	-
Interest	1,947	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	409,162	281,214	45,216
	<hr/>	<hr/>	<hr/>
Expenditures			
Instructional services:			
Salaries and benefits	82,492	216,052	-
Purchased services	2,672	26,776	-
Supplies and materials	-	4,403	-
Pension expense	376	27,726	-
OPEB expense	570	-	-
On-behalf payments	313,459	-	-
Intergovernmental:			
Payments to other governments	-	-	44,596
Capital outlay	-	600	-
	<hr/>	<hr/>	<hr/>
Total expenditures	399,569	275,557	44,596
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	9,593	5,657	620
	<hr/>	<hr/>	<hr/>
Other financing (uses)			
Transfers out	(3,093)	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balance	6,500	5,657	620
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	118,772	46,915	586
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	<u>\$ 125,272</u>	<u>\$ 52,572</u>	<u>\$ 1,206</u>

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, 2018

	Attendance Officer	Curriculum COOP	Truants Alternative/ Optional Education EBF
Revenues			
Local sources	\$ 16,000	\$ -	\$ -
Local sources - on-behalf payments	-	-	-
State sources	-	-	488,419
State sources - on-behalf payments	-	-	-
Interest	-	-	133
	<hr/>	<hr/>	<hr/>
Total revenues	16,000	-	488,552
	<hr/>	<hr/>	<hr/>
Expenditures			
Instructional services:			
Salaries and benefits	7,761	-	365,779
Purchased services	4,019	300	36,987
Supplies and materials	186	-	12,903
Pension expense	994	-	23,108
OPEB expense	-	-	3,479
On-behalf payments	-	-	-
Intergovernmental:			
Payments to other governments	-	-	-
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	12,960	300	442,256
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	3,040	(300)	46,296
	<hr/>	<hr/>	<hr/>
Other financing (uses)			
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balance	3,040	(300)	46,296
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	11,527	7,185	368,337
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	<u>\$ 14,567</u>	<u>\$ 6,885</u>	<u>\$ 414,633</u>

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, 2018

	Regional Safe Schools Program EBF	Tuition	Total
Revenues			
Local sources	\$ -	\$ 27,569	\$ 463,755
Local sources - on-behalf payments	-	-	42,389
State sources	434,510	-	922,929
State sources - on-behalf payments	-	-	271,070
Interest	-	-	2,080
	<hr/>	<hr/>	<hr/>
Total revenues	434,510	27,569	1,702,223
	<hr/>	<hr/>	<hr/>
Expenditures			
Instructional services:			
Salaries and benefits	62,688	-	734,772
Purchased services	62,033	31,696	164,483
Supplies and materials	4,034	-	21,526
Pension expense	2,706	-	54,910
OPEB expense	745	-	4,794
On-behalf payments	-	-	313,459
Intergovernmental:			
Payments to other governments	229,137	-	273,733
Capital outlay	-	-	600
	<hr/>	<hr/>	<hr/>
Total expenditures	361,343	31,696	1,568,277
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	73,167	(4,127)	133,946
	<hr/>	<hr/>	<hr/>
Other financing (uses)			
Transfers out	-	-	(3,093)
	<hr/>	<hr/>	<hr/>
Net change in fund balance	73,167	(4,127)	130,853
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	109,428	48,159	710,909
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	<u>\$ 182,595</u>	<u>\$ 44,032</u>	<u>\$ 841,762</u>

See accompanying Independent Auditors' Report.

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

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND

JUNE 30, 2018

	ROE/ISC Operations	Truants Alternative/ Optional Education	Adult Education & Family Literacy
Assets			
Cash and cash equivalents	\$ 5,073	\$ -	\$ -
Due from other governments	-	27,064	27,129
Total assets	<u>\$ 5,073</u>	<u>\$ 27,064</u>	<u>\$ 27,129</u>
Liabilities			
Salary and benefits payable	\$ 5,073	\$ 13,526	\$ 4,408
Due to other funds	-	13,538	22,721
Due to other governments	-	-	-
Total liabilities	<u>5,073</u>	<u>27,064</u>	<u>27,129</u>
Deferred Inflows of Resources			
Unavailable revenue	-	13,534	10,231
Fund balance (deficit)			
Restricted	-	-	-
Unassigned	-	(13,534)	(10,231)
Total fund balance (deficit)	<u>-</u>	<u>(13,534)</u>	<u>(10,231)</u>
Total liabilities, deferred inflows of resources and fund balance (deficit)	<u>\$ 5,073</u>	<u>\$ 27,064</u>	<u>\$ 27,129</u>

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

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND (Continued)

JUNE 30, 2018

	Regional Safe Schools	McKinney Education for Homeless Children	Title II - Teacher Quality - Leadership Grant
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Due from other governments	14,006	64,302	-
Total assets	<u>\$ 14,006</u>	<u>\$ 64,302</u>	<u>\$ -</u>
Liabilities			
Salary and benefits payable	\$ 3,374	\$ -	\$ -
Due to other funds	10,632	42,655	-
Due to other governments	-	21,647	-
Total liabilities	<u>14,006</u>	<u>64,302</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable revenue	<u>7,506</u>	<u>-</u>	<u>-</u>
Fund balance (deficit)			
Restricted	-	-	-
Unassigned	<u>(7,506)</u>	<u>-</u>	<u>-</u>
Total fund balance (deficit)	<u>(7,506)</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance (deficit)	<u>\$ 14,006</u>	<u>\$ 64,302</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report.

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

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND (Continued)

JUNE 30, 2018

	Alternative Education Programs - Other	Title I - School Improvement System of Support	Early Childhood Block Grant	Total
Assets				
Cash and cash equivalents	\$ 57,200	\$ -	\$ -	\$ 62,273
Due from other governments	326	13,284	95,016	241,127
Total assets	<u>\$ 57,526</u>	<u>\$ 13,284</u>	<u>\$ 95,016</u>	<u>\$ 303,400</u>
Liabilities				
Salary and benefits payable	\$ -	\$ -	\$ -	\$ 26,381
Due to other funds	-	13,284	95,016	197,846
Due to other governments	-	-	-	21,647
Total liabilities	<u>-</u>	<u>13,284</u>	<u>95,016</u>	<u>\$ 245,874</u>
Deferred Inflows of Resources				
Unavailable revenue	326	-	47,508	79,105
Fund balance (deficit)				
Restricted	57,200	-	-	57,200
Unassigned	-	-	(47,508)	(78,779)
Total fund balance (deficit)	<u>57,200</u>	<u>-</u>	<u>(47,508)</u>	<u>(21,579)</u>
Total liabilities, deferred inflows of resources and fund balance (deficit)	<u>\$ 57,526</u>	<u>\$ 13,284</u>	<u>\$ 95,016</u>	<u>\$ 303,400</u>

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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
EDUCATION FUND ACCOUNTS

For the Year Ended June 30, 2018

	ROE/ISC Operations	Truants Alternative/ Optional Education	Adult Education & Family Literacy
Revenues			
Local sources	\$ -	\$ -	\$ -
State sources	122,313	230,194	51,154
Federal sources	-	-	24,315
Total revenues	<u>122,313</u>	<u>230,194</u>	<u>75,469</u>
Expenditures			
Instructional services:			
Salaries and benefits	95,402	161,599	51,685
Purchased services	18,278	48	28,015
Supplies and materials	6,813	-	6,000
Pension expense	326	717	-
OPEB expense	494	-	-
Intergovernmental:			
Payments to other governmental units	-	-	-
Capital outlay	1,000	-	-
Total expenditures	<u>122,313</u>	<u>162,364</u>	<u>85,700</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>67,830</u>	<u>(10,231)</u>
Other financing sources			
Transfers in	-	-	-
Net change in fund balance	-	67,830	(10,231)
Fund balance (deficit), beginning of year	<u>-</u>	<u>(81,364)</u>	<u>-</u>
Fund balance (deficit), ending of year	<u>\$ -</u>	<u>\$ (13,534)</u>	<u>\$ (10,231)</u>

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
EDUCATION FUND ACCOUNTS (Continued)

For the Year Ended June 30, 2018

	Regional Safe Schools	McKinney Education for Homeless Children	Title II - Teacher Quality - Leadership Grant
Revenues			
Local sources	\$ -	\$ -	\$ -
State sources	111,147	-	-
Federal sources	-	292,398	2,130
Total revenues	<u>111,147</u>	<u>292,398</u>	<u>2,130</u>
Expenditures			
Instructional services:			
Salaries and benefits	40,483	90,243	-
Purchased services	38,523	13,913	2,130
Supplies and materials	-	8,753	-
Pension expense	-	9,944	-
OPEB expense	-	616	-
Intergovernmental:			
Payments to other governmental units	-	168,113	-
Capital outlay	-	816	-
Total expenditures	<u>79,006</u>	<u>292,398</u>	<u>2,130</u>
Excess (deficiency) of revenues over expenditures	<u>32,141</u>	<u>-</u>	<u>-</u>
Other financing sources			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	32,141	-	-
Fund balance (deficit), beginning of year	<u>(39,647)</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), ending of year	<u>\$ (7,506)</u>	<u>\$ -</u>	<u>\$ -</u>

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
EDUCATION FUND ACCOUNTS (Continued)

For the Year Ended June 30, 2018

	Alternative Education Programs - Other	Title I - School Improvement System of Support	Early Childhood Block Grant	Total
Revenues				
Local sources	\$ 19,447	\$ -	\$ -	\$ 19,447
State sources	1,069	-	614,513	1,130,390
Federal sources	55,677	88,420	-	462,940
Total revenues	<u>76,193</u>	<u>88,420</u>	<u>614,513</u>	<u>1,612,777</u>
Expenditures				
Instructional services:				
Salaries and benefits	-	9,993	428,817	878,222
Purchased services	69,019	75,583	54,616	300,125
Supplies and materials	8,296	2,844	29,892	62,598
Pension expense	-	-	55,033	66,020
OPEB expense	-	-	-	1,110
Intergovernmental:				
Payments to other governmental units	-	-	-	168,113
Capital outlay	-	-	1,739	3,555
Total expenditures	<u>77,315</u>	<u>88,420</u>	<u>570,097</u>	<u>1,479,743</u>
Excess (deficiency) of revenues over expenditures	<u>(1,122)</u>	<u>-</u>	<u>44,416</u>	<u>133,034</u>
Other financing sources				
Transfers in	-	-	3,093	3,093
Net change in fund balance	(1,122)	-	47,509	136,127
Fund balance (deficit), beginning of year	<u>58,322</u>	<u>-</u>	<u>(95,017)</u>	<u>(157,706)</u>
Fund balance (deficit), ending of year	<u>\$ 57,200</u>	<u>\$ -</u>	<u>\$ (47,508)</u>	<u>\$ (21,579)</u>

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, 2018

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 112,806	\$ 122,313	\$ 122,313
Expenditures			
Salaries and benefits	96,222	96,222	96,222
Purchased services	13,175	18,225	18,278
Supplies and Materials	2,309	6,866	6,813
Capital Outlay	1,100	1,000	1,000
Total expenditures	112,806	122,313	122,313
Net change in fund balance	\$ -	\$ -	-
Fund balance, beginning of year			-
Fund balance, end of year			\$ -

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

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, 2018

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 162,364	\$ 162,364	\$ 230,194
Expenditures			
Salaries and benefits	162,364	162,317	162,316
Purchased services	-	47	48
Total expenditures	162,364	162,364	162,364
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	67,830
Fund balance (deficit), beginning of year			<u>(81,364)</u>
Fund balance (deficit), end of year			<u>\$ (13,534)</u>

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, 2018

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
Federal sources	\$ 24,315	\$ 24,315	\$ 24,315
State sources	61,385	61,385	51,154
Total revenue	<u>85,700</u>	<u>85,700</u>	<u>75,469</u>
Expenditures			
Salaries and benefits	51,685	51,685	51,685
Purchased services	28,015	28,015	28,015
Supplies and materials	6,000	6,000	6,000
Total expenditures	<u>85,700</u>	<u>85,700</u>	<u>85,700</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(10,231)
Fund balance, beginning of year			<u>-</u>
Fund balance (deficit), end of year			<u>\$ (10,231)</u>

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, 2018

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 79,006	\$ 79,006	\$ 111,147
Expenditures			
Salaries and benefits	40,483	40,483	40,483
Purchased services	38,523	38,523	38,523
Total expenditures	79,006	79,006	79,006
Net change in fund balance	\$ -	\$ -	32,141
Fund balance (deficit), beginning of year			(39,647)
Fund balance (deficit), end of year			\$ (7,506)

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, 2018

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
Federal sources	\$ 356,017	\$ 372,430	\$ 292,398
Expenditures			
Salaries and benefits	67,860	51,985	100,803
Purchased services	7,998	17,876	13,913
Supplies and materials	1,700	7,800	8,753
Capital Outlay	-	500	816
Intergovernmental:			
Payments to other governmental units	278,459	294,269	168,113
Total expenditures	356,017	372,430	292,398
Net change in fund balance	\$ -	\$ -	-
Fund balance, beginning of year			-
Fund balance, end of year			\$ -

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

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, 2018

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
Federal sources	\$ 2,130	\$ 2,130	\$ 2,130
Expenditures			
Purchased services	2,130	2,130	2,130
Net change in fund balance	\$ -	\$ -	-
Fund balance, beginning of year			-
Fund balance, end of year			\$ -

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, 2018

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
Federal sources	\$ 95,000	\$ 102,500	\$ 88,420
Expenditures			
Salaries and benefits	9,993	9,993	9,993
Purchased services	80,257	87,757	75,583
Supplies and materials	4,750	4,750	2,844
Total expenditures	95,000	102,500	88,420
Net change in fund balance	\$ -	\$ -	-
Fund balance, beginning of year			-
Fund balance, end of year			\$ -

See accompanying Independent Auditors' Report.

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

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
EARLY CHILDHOOD BLOCK GRANT

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 570,097	\$ 570,097	\$ 614,513
Expenditures			
Salaries and benefits	494,037	483,852	483,850
Purchased services	60,593	54,207	54,616
Supplies and materials	14,467	30,212	29,892
Capital outlay	1,000	1,826	1,739
Total expenditures	<u>570,097</u>	<u>570,097</u>	<u>570,097</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	44,416
Other financing sources			
Transfers in	-	-	3,093
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>47,509</u>
Fund balance (deficit), beginning of year			<u>(95,017)</u>
Fund balance (deficit), end of year			<u>\$ (47,508)</u>

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

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

	General Education Development	Bus Driver Training	Total
Assets			
Cash and cash equivalents	\$ 41,328	\$ 33,507	\$ 74,835
Due from other governments	216	-	216
Total assets	<u>\$ 41,544</u>	<u>\$ 33,507</u>	<u>\$ 75,051</u>
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance			
Restricted	<u>41,544</u>	<u>33,507</u>	<u>75,051</u>
Total liabilities and fund balance	<u>\$ 41,544</u>	<u>\$ 33,507</u>	<u>\$ 75,051</u>

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, 2018

	General Education Development	Bus Driver Training	Total
Revenues			
Local sources	\$ 4,006	\$ 7,152	\$ 11,158
State sources	-	1,419	1,419
	<u>4,006</u>	<u>8,571</u>	<u>12,577</u>
Total revenues			
Expenditures			
Purchased services	-	4,905	4,905
Supplies and materials	50	-	50
	<u>50</u>	<u>4,905</u>	<u>4,955</u>
Total expenditures			
Net change in fund balance	3,956	3,666	7,622
Fund balance, beginning of year	<u>37,588</u>	<u>29,841</u>	<u>67,429</u>
Fund balance, end of year	<u>\$ 41,544</u>	<u>\$ 33,507</u>	<u>\$ 75,051</u>

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, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>SCHOOL FACILITY OCCUPATION TAX</u>				
Assets				
Cash and cash equivalents	\$ -	\$ 4,474,451	\$ (4,474,451)	\$ -
Due from other governments	775,849	1,574,396	(775,849)	1,574,396
	<u>775,849</u>	<u>1,574,396</u>	<u>(775,849)</u>	<u>1,574,396</u>
Total assets	<u>\$ 775,849</u>	<u>\$ 6,048,847</u>	<u>\$ (5,250,300)</u>	<u>\$ 1,574,396</u>
Liabilities				
Due to other governments	\$ 775,849	\$ 6,048,847	\$ (5,250,300)	\$ 1,574,396
	<u>775,849</u>	<u>6,048,847</u>	<u>(5,250,300)</u>	<u>1,574,396</u>
Total liabilities	<u>\$ 775,849</u>	<u>\$ 6,048,847</u>	<u>\$ (5,250,300)</u>	<u>\$ 1,574,396</u>

See accompanying Independent Auditors' Report.