

State of Illinois
**FULTON/HANCOCK/MCDONOUGH/
SCHUYLER COUNTIES**
REGIONAL OFFICE OF EDUCATION #26
FINANCIAL AUDIT
For the Year Ended June 30, 2016

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

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
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FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26

OFFICIALS

Regional Superintendent
(Current and During the Audit Period)

Mr. John Meixner

Assistant Regional Superintendent
(Current and During the Audit Period)

Mr. Dave Demler

Offices are located at:

130 South LaFayette Street, Suite 200
Macomb, Illinois 61455

257 West Lincoln Avenue
Lewistown, Illinois 61542

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26

FINANCIAL REPORT SUMMARY

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

AUDITORS' REPORTS

The auditors' reports contain scope limitations, disclaimers, or other significant nonstandard language.

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	3	6
Repeated audit findings	3	4
Prior recommendations implemented or not repeated	3	0

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

SUMMARY OF FINDINGS AND RESPONSES

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
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FINDINGS (*GOVERNMENT AUDITING STANDARDS*)

2016-001	12a	Controls over Financial Statement Preparation	Material Weakness
2016-002	12d	Inadequate Internal Control Procedures	Material Weakness
2016-003	12f	Inadequate Internal Controls over Inventory	Material Weakness

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

2015-003	14	Inadequate Internal Controls over Expenditures	Material Weakness
2015-004	14	Noncompliance with Grant Requirements	Noncompliance
2015-006	14	Payroll Reporting	Noncompliance

PRIOR AUDIT FINDINGS NOT REPEATED (*FEDERAL COMPLIANCE*)

None

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26

FINANCIAL REPORT SUMMARY (Concluded)

EXIT CONFERENCE

An informal exit conference was held on September 30, 2016, with John Meixner, Regional Superintendent, Dave Demler, Assistant Regional Superintendent; Allyson Curry, Bookkeeper; Deb Wright, Chief Bookkeeper; Lori Warder, Administrative Assistant; and Matt Price, CPA, Kemper CPA Group. Responses to the recommendations were provided by John Meixner, Regional Superintendent.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of Regional Office of Education #26 was performed by Kemper CPA Group LLP.

Based on their audit, the auditors expressed qualified opinions on the Business-Type Activities and the Western Area Purchasing Co-op Enterprise Fund.



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 Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinions on the Business-Type Activities and the Western Area Purchasing Co-op Enterprise Fund

We did not observe the taking of the physical inventories in the Western Area Purchasing Co-op enterprise fund, since the Regional Office does not perform a physical inventory count at year end. Because of the inadequacy of accounting records related to inventory, we were unable to obtain sufficient appropriate audit evidence about inventory quantities using other auditing procedures. The inventory quantities affect the amounts due from and due to other governments, the revenues, expenses, and the fund balance in the Western Area Purchasing Co-op enterprise fund. The amounts by which due from other governments, due to other governments, revenues, expenses, and fund balance would be affected have not been determined.

Qualified Opinions

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinions on the Business-Type Activities and the Western Area Purchasing Co-op Enterprise Fund paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the Western Area Purchasing Co-op enterprise fund of the Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major governmental fund, and the aggregate remaining fund information of the Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As disclosed in Note 14, the Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26 consolidated Fulton and Schuyler Counties into its Educational Service Region effective July 1, 2015.

Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Illinois Municipal Retirement Fund Schedule of Changes in the Net Pension Liability & Related Ratios, Illinois Municipal Retirement Fund Schedule of Employer Contributions, Teachers' Retirement System of the State of Illinois Schedule of the Employer's Proportionate Share of the Net Pension Liability, and Teachers' Retirement System of the State of Illinois Schedule of Employer Contributions on pages 15a through 15g and 64 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26's basic financial statements. The combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and the Schedule of Disbursements to Other Entities – Distributive Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2017, on our consideration of the Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26's internal control over financial reporting and compliance.

Original signature on file

*Certified Public Accountants
and Consultants*

Mattoon, Illinois
February 23, 2017

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26's basic financial statements and have issued our report thereon dated February 23, 2017. We expressed qualified opinions on the financial statements of the Western Area Purchasing Co-op enterprise fund and the business-type activities because we were unable to obtain sufficient appropriate audit evidence about inventory quantities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26'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 Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26's internal control. Accordingly, we do not express an opinion on the effectiveness of Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26'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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2016-001, 2016-002, and 2016-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Regional Office of Education #26's Responses to Findings

Fulton/Hancock/McDonough/Schuyler Regional Office of Education #26's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26'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 Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Original signature on file

*Certified Public Accountants
and Consultants*

Mattoon, Illinois
February 23, 2017

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Qualified opinions on the Business-Type Activities and the Western Area Purchasing Co-Op Enterprise Fund

Internal control over financial reporting:

- Material weaknesses identified? Yes
- Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding No. 2016-001 – Controls over Financial Statement Preparation (Repeated from Finding No. 15-001, 14-001, 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-01)

Criteria/Specific Requirement:

The Regional Office of Education #26 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Regional Office's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP-based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

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

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

Condition:

The Regional Office of Education #26 does not have sufficient internal controls over the financial reporting process. The Regional Office of Education #26 maintains its accounting records using cash basis accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While the Regional Office of Education #26 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of GAAP-based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2016-001 – Controls over Financial Statement Preparation (Repeated from Finding No. 15-001, 14-001, 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-01) (Continued)

Condition (Concluded):

During review of the financial information prepared by the Regional Office of Education #26, auditors noted the following:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts receivable, accounts payable, and unearned revenue, no entries were provided to reconcile the Regional Office's grant activity, such as posting grant receivables and unearned revenue.
- Numerous material adjustments were needed to make the financial statements comply with generally accepted accounting principles.
- In addition, the Regional Office did not have adequate controls to record and report the Regional Office's net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP. Proposed adjusting entries by auditors were approved and accepted by the Regional Office's management.

Effect:

The Regional Office of Education #26'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 the Regional Office of Education #26's management, current funding levels are not adequate to hire and/or train accounting personnel in order to comply with these requirements.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2016-001 – Controls over Financial Statement Preparation (Repeated from Finding No. 15-001, 14-001, 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-01) (Concluded)

Auditor’s Recommendation:

As part of internal control over the preparation of financial statements, the Regional Office of Education #26 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(s) possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education #26’s activities and operations.

Management’s Response:

The Regional Office of Education #26 accepts the degree of risk associated with this condition because the additional expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region.

The Regional Office of Education #26 will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring that its employees possess the knowledge required to compile the necessary GAAP-based financial statements. The organization will also research the possibility of having another accounting company prepare our financial statements independent of the auditors.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2016-002 – Inadequate Internal Control Procedures (Partial repeat from Finding No. 15-002, 14-002, 13-002, and 12-02)

Criteria/Specific Requirement:

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over accounting transactions to prevent errors and fraud.

Condition:

Auditors noted the following weaknesses in the Regional Office's internal control system for which there were no mitigating controls:

- A. There is inadequate segregation of duties over cash receipts. Payments received by check are given to the individual who records them in the accounting system. The individual who records receipts should not have physical custody of the receipts.
- B. Several items totaling \$5,764 were appropriately included as capital assets on the capital asset schedule presented to auditors; however, these items were coded as purchased services in the general ledger.
- C. Mileage reimbursements in the Child and Family Connections grant program were paid as a flat-rate monthly stipend rather than per-mile actual costs. The Regional Office did not verify whether the monthly stipend exceeded actual mileage traveled, in which case the excess stipend should be included in W-2 wages. A total of \$31,251 was expended for mileage reimbursements in this program.
- D. There was \$6,145 of Adult Learning Resource Center grant funding that was unspent and was due back to the grantor at the end of FY2013, but still had not been returned to the grantor at the end of FY2016.

Effect:

Lack of sufficient internal controls over the financial process of the Regional Office could result in unintentional or intentional errors or misappropriations of assets which could be material to the financial statements and may not be detected in a timely manner by employees or management in the normal course of performing their assigned duties.

Cause:

The Regional Office of Education #26 has not established or documented sufficient internal control procedures.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2016-002 – Inadequate Internal Control Procedures (Partial repeat from Finding No. 15-002, 14-002, 13-002, and 12-02) (Concluded)

Auditor’s Recommendation:

- A. The individual responsible for recording cash receipts should not be given physical access to the receipts. An individual independent of the recording process should make cash deposits and verify that the amounts recorded agree to deposit records.
- B. The Regional Office should establish procedures to ensure its capital asset schedule is maintained in accordance with the Regional Office’s capital asset policy. The capital asset schedule should be reconciled to the general ledger capital asset and capital outlay accounts.
- C. The Regional Office should verify that the employee monthly mileage stipend does not exceed the actual mileage traveled by a grant employee during the grant period.
- D. Absent an extension or permission from the grantor to carry unspent funding forward to the next grant period, any unspent grant funds at the end of the grant period should be returned to the grantor in a timely manner.

Management’s Response:

The Regional Office of Education will review the current auditors’ recommendations and will revise the Regional Office of Education’s policies, procedures and/or practices to address the findings noted as needed.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS (Concluded)

Finding No. 2016-003 – Inadequate Internal Controls over Inventory (Repeated from Finding No. 15-005)

Criteria/Specific Requirement:

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over accounting transactions, including inventory, to prevent errors and fraud.

Condition:

The Regional Office was not able to provide auditors with documentation to support the provided inventory value. In addition, the inventory value recorded in the Regional Office's general ledger was not adjusted to the year-end value.

Effect:

The value of inventory at June 30 could not be determined. Auditors qualified their opinion on inventory in the FY16 financial statements.

Cause:

The Western Area Purchasing Co-op does not perform a physical inventory count at year end; rather, they perform a physical count after most inventory has been delivered to Co-op members and calculate the year-end inventory value from supporting documents, such as vendor invoices, shipping manifests, and receipts of delivery to Co-op members. These documents did not support the inventory value reported by the Co-op.

Auditor's Recommendation:

The Western Area Purchasing Co-op staff should perform a physical inventory count on or near the fiscal year end or should maintain adequate documentation to support the calculated year-end value. The accurate inventory value should be recorded in the Regional Office's general ledger.

Management's Response:

The Regional Office of Education will review the current auditors' recommendations and will revise the Regional Office of Education's and Western Area Purchasing Cooperative's policies, procedures and/or practices to address the findings noted as needed.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

CORRECTIVE ACTION PLAN

Finding No. 2016-001 – Controls over Financial Statement Preparation (Repeated from Finding No. 15-001, 14-001, 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-01)

Condition:

The Regional Office of Education #26 does not have sufficient internal controls over the financial reporting process. The Regional Office of Education #26 maintains its accounting records on cash basis accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While the Regional Office of Education #26 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of GAAP-based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

During review of the financial information prepared by the Regional Office of Education #26, auditors noted the following:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts receivable, accounts payable, and unearned revenue, no entries were provided to reconcile the Regional Office's grant activity, such as posting grant receivables and unearned revenue.
- Numerous material adjustments were needed to make the financial statements comply with generally accepted accounting principles.
- In addition, the Regional Office did not have adequate controls to record and report the Regional Office's net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP. Proposed adjusting entries by auditors were approved and accepted by the Regional Office's management.

Plan:

The new Regional Office of Education #26 accepts the degree of risk associated with this condition because the additional expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Finding No. 2016-001 – Controls over Financial Statement Preparation (Repeated from Finding No. 15-001, 14-001, 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-01) (Concluded)

The Regional Office of Education #26 will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring that its employees possess the knowledge required to compile the necessary GAAP-based financial statements. The organization will also research the possibility of having another accounting company prepare our financial statements independent of the auditors.

Anticipated Date of Completion:

Undetermined

Contact Person Responsible for Corrective Action:

Mr. John Meixner, Regional Superintendent

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Finding No. 2016-002 – Inadequate Internal Control Procedures (Partial repeat from Finding No. 15-002, 14-002, 13-002, and 12-02)

Condition:

Auditors noted the following weaknesses in the Regional Office’s internal control system for which there were no mitigating controls:

- A. There is inadequate segregation of duties over cash receipts. Payments received by check are given to the individual who records them in the accounting system. The individual who records receipts should not have physical custody of the receipts.
- B. Several items totaling \$5,764 were appropriately included as capital assets on the capital asset schedule presented to auditors; however, these items were coded as purchased services in the general ledger.
- C. Mileage reimbursements in the Child and Family Connections grant program were paid as a flat-rate monthly stipend rather than per-mile actual costs. The Regional Office did not verify whether the monthly stipend exceeded actual mileage traveled, in which case the excess stipend should be included in W-2 wages. A total of \$31,251 was expended for mileage reimbursements in this program.
- D. There was \$6,145 of Adult Learning Resource Center grant funding that was unspent and was due back to the grantor at the end of FY2013, but still had not been returned to the grantor at the end of FY2016.

Plan:

- A. The individual responsible for recording cash receipts will not be given physical access to the receipts. An individual independent of the recording process will make cash deposits and verify that the amounts recorded agree to deposit records.
- B. The Regional Office will establish procedures to ensure its capital asset schedule is maintained in accordance with the Regional Office’s capital asset policy. The capital asset schedule will be reconciled to the general ledger capital asset and capital outlay accounts.
- C. The Regional Office will verify that the employee monthly mileage stipend does not exceed the actual mileage traveled by a grant employee during the grant period.
- D. The Regional Office will either request an extension or permission from the grantor to carry unspent funding forward to the next grant period, or will return to the grantor any unspent grant funds at the end of the grant period.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Finding No. 2016-002 – Inadequate Internal Control Procedures (Partial repeat from Finding No. 15-002, 14-002, 13-002, and 12-02) (Concluded)

Anticipated Date of Completion:

June 30, 2017

Contact Person Responsible for Corrective Action:

Mr. John Meixner, Regional Superintendent

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Finding No. 2016-003 – Inadequate Internal Controls over Inventory (Repeated from Finding No. 15-005)

Condition:

The Regional Office was not able to provide auditors with documentation to support the provided inventory value. In addition, the inventory value recorded in the Regional Office's general ledger was not adjusted to the year-end value.

Plan:

The Regional Office of Education #26 will establish policies and procedures to ensure that Western Area Purchasing Co-op staff maintain adequate documentation to support the calculated year-end inventory value and that the accurate inventory value is recorded in Regional Office's general ledger.

Anticipated Date of Completion:

June 30, 2017

Contact Person Responsible for Corrective Action:

Mr. John Meixner, Regional Superintendent

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
2015-001	Controls over Financial Statement Preparation	Repeated as Finding 2016-001
2015-002	Inadequate Internal Control Procedures	Partially repeated as Finding 2016-002
2015-003	Inadequate Internal Control over Expenditures	Corrected
2015-004	Noncompliance with Grant Requirements	Corrected
2015-005	Inadequate Internal Controls Over Inventory	Repeated as Finding 2016-003
2015-006	Payroll Reporting	Corrected

MANAGEMENT'S DISCUSSION AND ANALYSIS

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

The Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information with the Regional Office of Education #26's financial statements, which follow.

2016 Financial Highlights

General Fund revenues increased by \$417,878, from \$634,552 in fiscal year 2015 (FY15) to \$1,052,430 in fiscal year 2016 (FY16). The General Fund expenditures increased by \$447,053, from \$820,604 in FY15 to \$1,267,657 in FY16. The Regional Office experienced an increase in the General Fund's fund balance of \$58,025, from \$721,098 (restated) at the end of FY15 to \$779,123 at the end of FY16. The increase in activity is mainly attributable to the consolidation of the Regional Office of Education #22's activity into the Regional Office of Education #26's educational service region.

The Special Revenue Funds revenue decreased by \$36,952, from \$1,943,418 in FY15 to \$1,906,466 in FY16. Their expenditures increased by \$80,513 from \$1,909,224 in FY15 to \$1,989,737 in FY16. The decrease in revenues resulted from an overall decrease in federal funding while the increase in expenditures was related to increases in salaries and benefits paid from these funds.

Using This Annual Report

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Office's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Regional Office of Education #26 as a whole and present an overall view of the Office's finances.
- The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Office's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Supplementary information further explains and supports the financial statements with a comparison of the Office's detailed information for each category of funds and also provides detailed information about the nonmajor funds.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Reporting the Regional Office of Education #26 as a Whole

The Statement of Net Position and the Statement of Activities

The government-wide statements report information about the Regional Office of Education #26 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Regional Office of Education #26's assets, liabilities, and deferred inflow and outflows of resources. All of the current-year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Office's net position and how it has changed. Net position—the difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources—is one way to measure the Office's health.

- Over time, increases or decreases in the net position can be an indicator of whether the financial position is improving or deteriorating, respectively.
- To assess the Office's overall health, additional nonfinancial factors, such as new laws, rules, regulations, and actions by officials at the State level need to be considered.

Fund Financial Statements

The fund financial statements provide detailed information about the Regional Office's funds, focusing on its most significant or "major" funds. Funds are accounting devices which allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by State law. The Regional Office of Education #26 established other funds to control and manage money for particular purposes.

- 1) Governmental funds account for a majority of the Office's services. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balance left at year end that is available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Office's programs. The Office's governmental funds include the General Fund and the Special Revenue Funds.

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

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Fund Financial Statements (Concluded)

- 2) Proprietary funds account for services for which the Regional Office of Education #26 charges fees under a cost-reimbursement method. These fees cover the costs of certain services and workshops it provides.

The proprietary funds' required 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.

- 3) Fiduciary funds account for assets for which the Regional Office of Education #26 acts as fiscal agent for individuals and private or governmental organizations.

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

A summary reconciliation between the government-wide financial statements and the governmental fund financial statements is included after each governmental fund financial statement.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The Regional Office of Education #26's net position increased by \$120,041, from \$59,627 in FY15 to \$179,668 in FY16. Opening net position was restated by \$664,690 due to the consolidation with the Regional Office of Education #22, and is discussed in Note 14 to the financial statements.

Net position related to the Education Fund and the Nonmajor Special Revenue Funds is considered restricted for educational purposes.

The analysis that follows provides a summary of the Office's net position at June 30, 2016 and 2015.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Government-Wide Financial Analysis (Continued)

CONDENSED STATEMENT OF NET POSITION

June 30, 2016 and 2015

	Governmental		Business-type		Total	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current Assets	\$ 1,192,493	\$ 737,358	\$ 356,496	\$ 396,607	\$ 1,548,989	\$ 1,133,965
Noncurrent Assets						
Capital assets, net of depreciation	66,405	65,426	55,649	57,333	122,054	122,759
TOTAL ASSETS	1,258,898	802,784	412,145	453,940	1,671,043	1,256,724
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions	2,087,715	160,061	-	-	2,087,715	160,061
LIABILITIES						
Current Liabilities	211,366	243,153	533,064	535,126	744,430	778,279
Noncurrent Liabilities						
Liability for compensated absences	55,457	-	-	-	55,457	-
Net pension liability	553,099	401,700	-	-	553,099	401,700
TOTAL LIABILITIES	819,922	644,853	533,064	535,126	1,352,986	1,179,979
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	2,226,104	177,179	-	-	2,226,104	177,179
NET POSITION						
Invested in capital assets, net of related debt	66,405	65,426	55,649	57,333	122,054	122,759
Restricted for educational purposes	183,874	70,793	-	-	183,874	70,793
Unrestricted	50,308	4,594	(176,568)	(138,519)	(126,260)	(133,925)
TOTAL NET POSITION	\$ 300,587	\$ 140,813	\$ (120,919)	\$ (81,186)	\$ 179,668	\$ 59,627

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Government-Wide Financial Analysis (Concluded)

CHANGES IN NET POSITION

For the Years Ended June 30, 2016 and 2015

	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Operating grants & contributions	\$ 1,843,801	\$ 1,818,546	\$ -	\$ -	\$ 1,843,801	\$ 1,818,546
Charges for services	-	-	710,634	705,610	710,634	705,610
General revenues:						
Local sources	512,672	237,268	-	-	512,672	237,268
State sources	340,482	251,806	-	-	340,482	251,806
On-behalf payments	588,245	445,314	-	-	588,245	445,314
Transfers	28,037	-	(28,037)	-	-	-
Investment income	95	5	-	-	95	5
Total Revenues	<u>3,313,332</u>	<u>2,752,939</u>	<u>682,597</u>	<u>705,610</u>	<u>3,995,929</u>	<u>3,458,549</u>
Expenses:						
Salaries & benefits	1,975,027	1,513,031	32,353	36,944	2,007,380	1,549,975
Purchased services	485,599	536,359	49,490	45,938	535,089	582,297
Supplies and materials	131,277	81,257	637,470	683,874	768,747	765,131
Depreciation	27,105	28,698	3,380	5,101	30,485	33,799
Other objects	26,210	18,008	-	-	26,210	18,008
Payments to other governments	251,151	212,959	-	-	251,151	212,959
Pension expense	330,350	64,792	2,921	2,118	333,271	66,910
On-behalf payments	588,245	445,314	-	-	588,245	445,314
Total Expenses	<u>3,814,964</u>	<u>2,900,418</u>	<u>725,614</u>	<u>773,975</u>	<u>4,540,578</u>	<u>3,674,393</u>
Change in net position	(501,632)	(147,479)	(43,017)	(68,365)	(544,649)	(215,844)
Net position - Beginning (Restated)	<u>802,219</u>	<u>288,292</u>	<u>(77,902)</u>	<u>(12,821)</u>	<u>724,317</u>	<u>275,471</u>
Net position - Ending	<u>\$ 300,587</u>	<u>\$ 140,813</u>	<u>\$ (120,919)</u>	<u>\$ (81,186)</u>	<u>\$ 179,668</u>	<u>\$ 59,627</u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Governmental Activities

For FY16, revenues for governmental activities were \$3,313,332 and expenditures were \$3,814,964. Revenues and expenses both increased from FY15. As mentioned in the "2016 Financial Highlights" section, the increase in revenues and expenditures is mainly attributable to the consolidation.

Business-Type Activities

Combined revenue and expense for the Regional Office of Education #26's business-type activities decreased net position by \$43,017. This decrease was primarily due to a transfer out of the Fingerprinting Fund.

Financial Analysis of the Regional Office of Education #26 Funds

As previously noted, the Regional Office of Education #26 uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The Regional Office's governmental funds report combined fund balances of \$962,997 in FY16 and \$1,233,458 in FY15, a decrease of \$270,461 (22%). The Regional Office's proprietary funds' net position was (\$120,919) in FY16 and (\$77,902) in FY15, a decrease of \$43,017 (55%).

Governmental Fund Highlights

Revenues for governmental funds were \$2,958,896 and expenditures were \$3,257,394 in FY16. Both increased from FY15, primarily due to:

- As discussed in Note 14, the Regional Office of Education #26 consolidated with the Regional Office of Education #22 as of July 1, 2015. The increase in FY16 governmental funds is primarily due to taking over the grant funds and other programs by the Regional Office of Education #26 that were previously reported by the Regional Office of Education #22.
- County support for the Regional Office of Education #26 increased from \$106,608 in FY15 to \$223,573. This increase was directly related to the consolidation which doubled the number of counties the Regional Office of Education #26 now serves.

Proprietary Fund Highlights

Revenues for proprietary funds were \$710,634 and expenses were \$725,614 in FY16. The increase in revenues from FY15 were mainly attributable to an increase in fees for services in the Fingerprinting Fund. This was due to an increase in the number background checks performed as a result of the Regional Office adding two more counties to its educational service region which is directly related to the consolidation. Expenses decreased from FY15 amounts which were related to less supplies and materials ordered by the entities that were serviced by the Western Area Purchasing Co-op in FY16.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Budgetary Highlights

The Office annually adopts a budget on a basis consistent with U.S. generally accepted accounting principles when required by the granting agency. The Illinois State Board of Education reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the Illinois State Board of Education for final approval. The budget may be amended during the year utilizing procedures prescribed by the Illinois State Board of Education. Schedules showing the budget amounts compared to the Office's actual financial activity are included in supplementary information of this report.

Capital Assets

The beginning value of capital assets increased during FY16 due to asset additions resulting from the consolidation with the Regional Office of Education #22. New asset additions totaled \$28,084, including \$8,819 from the consolidation, in FY16 and depreciation expense totaled \$30,485.

Economic Factors and Next Year's Budget

At the time these financial statements were prepared and audited, the Regional Office of Education #26 was aware of several existing circumstances that could affect its financial condition in the future:

- With the State of Illinois in the midst of an unprecedented financial crisis, the status of grant funding for the upcoming fiscal year is bleak at best. We are anticipating cuts for many of our programs.
- The County Boards of Fulton, Hancock, McDonough and Schuyler Counties decreased their overall funding to our office for FY17 due to a four-county financial agreement.
- The Child and Family Connections Grant anticipates a decrease in funding.
- The new, consolidated Regional Office of Education #26 is required to maintain a high level of liability insurance due to a larger operation.
- As costs for consumers rise (energy, maintenance, etc.), there will be increasing demands for employees to have raises that match or exceed past practices. These will be difficult to honor as the four counties encompassed by the new Regional Office of Education #26 are burdened with considerable financial challenges.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the Regional Office's citizens, taxpayers, clients, and other constituents with a general overview of its finances and demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the Regional Office of Education #26, 130 South Lafayette Street, Suite 200, Macomb, IL 61455.

BASIC FINANCIAL STATEMENTS

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 703,058	\$ 66,574	\$ 769,632
Due from other governments:			
Local	108,484	158,152	266,636
State	295,078	-	295,078
Federal	85,873	-	85,873
Inventory	-	131,770	131,770
Total Current Assets	<u>1,192,493</u>	<u>356,496</u>	<u>1,548,989</u>
Noncurrent Assets:			
Capital assets, being depreciated, net	<u>66,405</u>	<u>55,649</u>	<u>122,054</u>
TOTAL ASSETS	<u>1,258,898</u>	<u>412,145</u>	<u>1,671,043</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>2,087,715</u>	<u>-</u>	<u>2,087,715</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	54,823	401,294	456,117
Accrued expenses	76,039	-	76,039
Due to other governments:			
Local	-	131,770	131,770
Federal	6,145	-	6,145
Unearned revenue	74,359	-	74,359
Total Current Liabilities	<u>211,366</u>	<u>533,064</u>	<u>744,430</u>
Noncurrent Liabilities:			
Liability for compensated absences	55,457	-	55,457
Net pension liability	553,099	-	553,099
Total Noncurrent Liabilities	<u>608,556</u>	<u>-</u>	<u>608,556</u>
TOTAL LIABILITIES	<u>819,922</u>	<u>533,064</u>	<u>1,352,986</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>2,226,104</u>	<u>-</u>	<u>2,226,104</u>
NET POSITION (DEFICIT)			
Invested in capital assets	66,405	55,649	122,054
Restricted for educational purposes	183,874	-	183,874
Unrestricted	50,308	(176,568)	(126,260)
TOTAL NET POSITION (DEFICIT)	<u>\$ 300,587</u>	<u>\$ (120,919)</u>	<u>\$ 179,668</u>

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

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instructional Services:						
Salaries and benefits	\$ 1,975,027	\$ -	\$ 1,268,037	\$ (706,990)	\$ -	\$ (706,990)
Purchased services	485,599	-	252,791	(232,808)	-	(232,808)
Supplies and materials	131,277	-	67,977	(63,300)	-	(63,300)
Other objects	26,210	-	19,974	(6,236)	-	(6,236)
Depreciation expense	27,105	-	-	(27,105)	-	(27,105)
Capital outlay	-	-	19,265	19,265	-	19,265
Payments to other governments	251,151	-	215,757	(35,394)	-	(35,394)
Pension expense	330,350	-	-	(330,350)	-	(330,350)
Administrative:						
On-behalf payments - State	588,245	-	-	(588,245)	-	(588,245)
Total Governmental Activities	<u>3,814,964</u>	<u>-</u>	<u>1,843,801</u>	<u>(1,971,163)</u>	<u>-</u>	<u>(1,971,163)</u>
Business-Type Activities:						
Fees for services	725,614	710,634	-	-	(14,980)	(14,980)
Total Business-Type Activities	<u>725,614</u>	<u>710,634</u>	<u>-</u>	<u>-</u>	<u>(14,980)</u>	<u>(14,980)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 4,540,578</u>	<u>\$ 710,634</u>	<u>\$ 1,843,801</u>	<u>(1,971,163)</u>	<u>(14,980)</u>	<u>(1,986,143)</u>
GENERAL REVENUES:						
Local sources				512,672	-	512,672
State sources				340,482	-	340,482
On-behalf payments - State				588,245	-	588,245
Transfers				28,037	(28,037)	-
Investment earnings				95	-	95
Total general revenues and transfers				<u>1,469,531</u>	<u>(28,037)</u>	<u>1,441,494</u>
CHANGE IN NET POSITION				(501,632)	(43,017)	(544,649)
NET POSITION (DEFICIT) - BEGINNING (Restated, see Note 14)				<u>802,219</u>	<u>(77,902)</u>	<u>724,317</u>
NET POSITION (DEFICIT) - ENDING				<u>\$ 300,587</u>	<u>\$ (120,919)</u>	<u>\$ 179,668</u>

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

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Education Fund	Nonmajor Special Revenue Funds	Eliminations	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 423,839	\$ 114,296	\$ 164,923	\$ -	\$ 703,058
Due from other funds	478,969	-	-	(478,969)	-
Due from other governments:					
Local	108,484	-	-	-	108,484
State	-	293,570	1,508	-	295,078
Federal	-	85,873	-	-	85,873
TOTAL ASSETS	<u>\$ 1,011,292</u>	<u>\$ 493,739</u>	<u>\$ 166,431</u>	<u>\$ (478,969)</u>	<u>\$ 1,192,493</u>
LIABILITIES					
Accounts payable	\$ -	\$ 53,893	\$ 930	\$ -	\$ 54,823
Accrued expenses	30,342	45,697	-	-	76,039
Due to other funds	183,697	295,040	232	(478,969)	-
Due to other governments:					
Federal	-	6,145	-	-	6,145
Unearned revenue	-	74,359	-	-	74,359
Total Liabilities	<u>214,039</u>	<u>475,134</u>	<u>1,162</u>	<u>(478,969)</u>	<u>211,366</u>
DEFERRED INFLOWS OF RESOURCES	<u>18,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,130</u>
FUND BALANCE (DEFICIT)					
Restricted	-	18,605	165,269	-	183,874
Unassigned	779,123	-	-	-	779,123
Total Fund Balance (Deficit)	<u>779,123</u>	<u>18,605</u>	<u>165,269</u>	<u>-</u>	<u>962,997</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, & FUND BALANCE	<u>\$ 1,011,292</u>	<u>\$ 493,739</u>	<u>\$ 166,431</u>	<u>\$ (478,969)</u>	<u>\$ 1,192,493</u>

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

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 GOVERNMENTAL FUNDS
 JUNE 30, 2016

TOTAL FUND BALANCE — GOVERNMENTAL FUNDS		\$ 962,997
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		66,405
<p>Some revenues will not be collected for several months after the Regional Office fiscal year ends; they are therefore not considered "available" revenues and are deferred inflows of resources in the governmental funds.</p> <p style="padding-left: 20px;">Current year unavailable revenue</p>		18,130
<p>Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and therefore are not reported in the governmental funds as follows:</p>		
Deferred outflows of resources	\$ 2,087,715	
Deferred inflows of resources	<u>(2,226,104)</u>	(138,389)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Liability for compensated absences	\$ (55,457)	
IMRF net pension liability	(239,457)	
TRS net pension liability	<u>(313,642)</u>	<u>(608,556)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 300,587</u></u>

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

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Education Fund	Nonmajor Special Revenue Funds	Eliminations	Total Governmental Funds
REVENUES					
Local sources	\$ 412,708	\$ 44,071	\$ 37,763	\$ -	\$ 494,542
State sources	342,824	1,575,817	1,508	-	1,920,149
On-behalf payments - State	279,976	-	-	-	279,976
Federal sources	16,922	247,212	-	-	264,134
Investment earnings	-	-	95	-	95
Total Revenues	<u>1,052,430</u>	<u>1,867,100</u>	<u>39,366</u>	<u>-</u>	<u>2,958,896</u>
EXPENDITURES					
Instructional Services:					
Salaries and benefits	692,708	1,286,105	6,909	-	1,985,722
Pension expense	6,601	70,440	1,153	-	78,194
Purchased services	208,415	255,470	21,714	-	485,599
Supplies and materials	60,545	70,053	679	-	131,277
Other objects	6,126	20,048	36	-	26,210
Payments to other governments	-	251,151	-	-	251,151
On-behalf payments	279,976	-	-	-	279,976
Capital outlay	13,286	5,979	-	-	19,265
Total Expenditures	<u>1,267,657</u>	<u>1,959,246</u>	<u>30,491</u>	<u>-</u>	<u>3,257,394</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	<u>(215,227)</u>	<u>(92,146)</u>	<u>8,875</u>	<u>-</u>	<u>(298,498)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	275,158	3,027	-	(250,148)	28,037
Transfers out	(1,906)	(248,242)	-	250,148	-
Total Other Financing Sources (Uses)	<u>273,252</u>	<u>(245,215)</u>	<u>-</u>	<u>-</u>	<u>28,037</u>
NET CHANGE IN FUND BALANCE	58,025	(337,361)	8,875	-	(270,461)
FUND BALANCE (DEFICIT) - BEGINNING (Restated, see Note 14)					
	<u>721,098</u>	<u>355,966</u>	<u>156,394</u>	<u>-</u>	<u>1,233,458</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ 779,123</u>	<u>\$ 18,605</u>	<u>\$ 165,269</u>	<u>\$ -</u>	<u>\$ 962,997</u>

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

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

NET CHANGE IN FUND BALANCE — GOVERNMENTAL FUNDS \$ (270,461)

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

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

Capital outlay	\$ 19,265	
Depreciation expense	<u>(27,105)</u>	(7,840)

Some revenues will not be collected for several months after the Regional Office fiscal year ends; they are considered "unavailable" revenues and are deferred inflows of resources in the governmental funds.

Current year unavailable revenue	18,130
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Certain expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in compensated absences	10,695
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Governmental funds report pension contributions as expenditures; however, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Cost of benefits earned, net	<u>(252,156)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (501,632)

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
STATEMENT OF NET POSITION (DEFICIT)
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		
	Western Area Purchasing Co-op	Nonmajor Enterprise Funds	Total
	<u>Co-op</u>	<u>Enterprise Funds</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 28,326	\$ 38,248	\$ 66,574
Due from other governments:			
Local	158,152	-	158,152
Inventory	131,770	-	131,770
Total current assets	<u>318,248</u>	<u>38,248</u>	<u>356,496</u>
Noncurrent assets:			
Capital assets, being depreciated, net	55,275	374	55,649
TOTAL ASSETS	<u>373,523</u>	<u>38,622</u>	<u>412,145</u>
LIABILITIES			
Due to other governments - Local	131,770	-	131,770
Accounts payable	401,294	-	401,294
TOTAL LIABILITIES	<u>533,064</u>	<u>-</u>	<u>533,064</u>
NET POSITION (DEFICIT)			
Invested in capital assets	55,275	374	55,649
Unrestricted	(214,816)	38,248	(176,568)
TOTAL NET POSITION (DEFICIT)	<u>\$ (159,541)</u>	<u>\$ 38,622</u>	<u>\$ (120,919)</u>

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

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION (DEFICIT)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		Total
	Western Area Purchasing Co-op	Nonmajor Enterprise Funds	
OPERATING REVENUES			
Fees for services	\$ 656,460	\$ 54,174	\$ 710,634
Total Operating Revenues	<u>656,460</u>	<u>54,174</u>	<u>710,634</u>
OPERATING EXPENSES			
Salaries and benefits	32,353	-	32,353
Pension expense	2,921	-	2,921
Purchased services	15,013	34,477	49,490
Supplies and materials	637,470	-	637,470
Depreciation	2,576	804	3,380
Total Operating Expenses	<u>690,333</u>	<u>35,281</u>	<u>725,614</u>
OPERATING INCOME (LOSS)	(33,873)	18,893	(14,980)
NONOPERATING EXPENSE			
Transfer out	-	(28,037)	(28,037)
Total Nonoperating Expense	<u>-</u>	<u>(28,037)</u>	<u>(28,037)</u>
CHANGE IN NET POSITION	(33,873)	(9,144)	(43,017)
TOTAL NET POSITION (DEFICIT) - BEGINNING	<u>(125,668)</u>	<u>47,766</u>	<u>(77,902)</u>
TOTAL NET POSITION (DEFICIT) - ENDING	<u>\$ (159,541)</u>	<u>\$ 38,622</u>	<u>\$ (120,919)</u>

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

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		Totals
	Western Area Purchasing Co-op	Nonmajor Enterprise Funds	
Cash Flows from Operating Activities:			
Receipts from customers	\$ 656,460	\$ 54,354	\$ 710,814
Payments to suppliers and providers of goods and services	(652,483)	(36,539)	(689,022)
Payments to employees	(35,274)	-	(35,274)
Net Cash Provided by (Used for) Operating Activities	<u>(31,297)</u>	<u>17,815</u>	<u>(13,482)</u>
Cash Flows from Noncapital Financing Activities:			
Payments for interfund borrowing, net	-	(28,037)	(28,037)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>-</u>	<u>(28,037)</u>	<u>(28,037)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(1,696)	-	(1,696)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(1,696)</u>	<u>-</u>	<u>(1,696)</u>
Net Decrease in Cash and Cash Equivalents	(32,993)	(10,222)	(43,215)
Cash and cash equivalents - Beginning, Restated (See Note 14)	<u>61,319</u>	<u>48,470</u>	<u>109,789</u>
Cash and cash equivalents - Ending	<u>\$ 28,326</u>	<u>\$ 38,248</u>	<u>\$ 66,574</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ (33,873)	\$ 18,893	\$ (14,980)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	2,576	804	3,380
(Increase)/decrease in assets:			
Decrease in accounts receivable	-	180	180
Increase/(decrease) in liabilities:			
Decrease in accounts payable	-	(2,062)	(2,062)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (31,297)</u>	<u>\$ 17,815</u>	<u>\$ (13,482)</u>

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

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2016

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 23,436
Due from other governments	1,642,293
TOTAL ASSETS	\$ 1,665,729
 LIABILITIES	
Due to other governments	\$ 1,665,729
TOTAL LIABILITIES	\$ 1,665,729

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

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

In 2016, the Regional Office of Education #26 implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; and GASB Statement No. 76, *The Hierarchy of Generally Accepted Principles for State and Local Governments – supersedes GASB Statement No. 55*. The Regional Office of Education #26 implemented these standards during the current year. The implementation of GASB Statement No. 72 establishes guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments and disclosures. The implementation of GASB Statement No. 73 establishes required enhancements to financial statement disclosures by establishing a single framework for the presentation of information about pensions. The implementation of GASB Statement No. 76 prioritizes the guidance state and local governments follow when preparing financial statements in accordance with *Generally Accepted Accounting Principles*.

A. DATE OF MANAGEMENT’S REVIEW

The Regional Office of Education #26 has evaluated subsequent events through February 23, 2017, the date when the financial statements were available to be issued.

B. FINANCIAL REPORTING ENTITY

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

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #26’s districts; providing township treasurers with a list of district treasurers; inspecting and approving building plans which comply with State law; performing and reporting on annual building inspections; investigating bus drivers for valid bus driver permits and taking related action as may be required; maintaining a list of unfilled teaching positions; and carrying out other related duties required or permitted by law.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FINANCIAL REPORTING ENTITY (Concluded)

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

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

For the period ended June 30, 2016, the Regional Office of Education #26 applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26. Such activities are reported as a single special revenue fund (Education Fund).

C. SCOPE OF THE REPORTING ENTITY

The Regional Office of Education #26 reporting entity includes all related organizations for which they exercise oversight responsibility.

The Regional Office of Education #26 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the Regional Office of Education #26, 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 #26 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 blended component unit described below is included in the Regional Office of Education #26's reporting entity because of the significance of its operational or financial relationship with the Regional Office of Education #26.

Western Area Purchasing Co-op is a joint agreement used to reduce costs to school districts by purchasing various supplies in larger quantities. School districts in west central Illinois place orders with the co-op, which accumulates the orders and purchases large quantities for distribution to the districts. The purchasing co-op is a discretionary enterprise fund.

Other districts and joint agreements have been determined not to be a part of the reporting entity after applying the criteria of manifestation of oversight, scope of public service, and special financing relationships and are therefore excluded from the accompanying financial statements because the Regional Office of Education #26 does not control their assets, operations, or management. In addition, the Regional Office of Education #26 is not aware of any entity that would exercise such oversight as to result in the Regional Office of Education #26 being considered a component unit of any other entity.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Regional Office of Education #26's activities, with most of the interfund activities removed. Governmental activities include programs supported primarily by State and federal grants and other intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Regional Office of Education #26 has three business-type activities that rely on fees and charges for support.

The Regional Office of Education #26's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Regional Office of Education #26 accompanied by a total column. These statements are presented on an "economic resources" measurement as prescribed by GASB Statement No. 34. All of the Regional Office of Education #26's assets (including capital assets), deferred outflows of resources, liabilities, and deferred inflows of resources are included in the accompanying Statement of Net Position. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges for services, and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and reported in a single column.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, such as payables, receivables, and transfers. Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources 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, activities between governmental funds have been eliminated; however, transactions between governmental and business-type activities have not been eliminated.

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

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

Revenues received after the Regional Office's availability period are reported as deferred inflows of resources in the fund statements and are reported as current revenue in the Statement of Activities.

F. 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.

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

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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 (including deferred outflows of resources) and current liabilities (including deferred inflows of resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Regional Office of Education #26; 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, the Regional Office of Education #26 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding resources available to finance the program. It is the Regional Office of Education #26's policy to first apply restricted funds to such programs, and then unrestricted funds. For unrestricted fund balance, committed funds are used first, then assigned funds, then unassigned funds if any.

H. FUND ACCOUNTING

The Regional Office of Education #26 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 #26 uses governmental, proprietary, and fiduciary funds.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS

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

As prescribed by GASB Statement No. 34, governmental fund reporting focuses on the major funds, rather than on the fund type. There is a two-step process for determining if a fund should be reported as a major fund: (1) total assets (including deferred outflows), liabilities (including deferred inflows), revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for the fund type, and (2) total assets (including deferred outflows), liabilities (including deferred inflows), revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for 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 #26 has presented all major funds that met the above qualifications. The Regional Office of Education #26 reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources that benefit all school districts in the Region except for those required to be accounted and reported for in other funds. The General Fund accounts include the following:

County – Used to account for funds provided by the Boards of Fulton, Hancock, McDonough, and Schuyler counties for general office operation and maintenance.

Regional Programs – Accounts for the cost of operating certain programs not paid for through special revenues or County funds.

Interest – Used to account for interest earned on the Distributive Fund for the mutual benefit of each school district in the Regional Office’s educational service region.

Alternative Schools – Used to account for State revenues and expenditures paid to provide an alternative education program to students in the Regional Office’s educational service region.

Apex – Used to account for local fees associated with the Regional Office’s Apex project, which provides Alternative Schools students with access to online curricula.

Online Clearing – Accounts for revenue from online payments for the Institute, GED, Bus Driver, and other special revenue funds using the new State online payment system.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

Major Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources (other than fiduciary or major capital projects) that are restricted to expenditures for specified purposes. 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:

Adult Learning Resource Center – Used to account for the Regional Office’s subcontract with Schaumburg CUSD #54’s McKinney Education for Homeless Grant.

Child and Family Connections (Special Education—Grants for Infants and Families) – Used to account for a contractual agreement with the Illinois Department of Human Services to provide a caseworker for the purpose of monitoring teen parents receiving Aid to Dependent Children.

Early Childhood and Early Childhood Block Grants – Used to account for State grant proceeds for the Early Childhood Education Block Grants.

Family Literacy – Used to account for assistance provided to reading programs.

Family Violence – Used to account for State and federal grant proceeds to support the activities of the local Family Violence Coordinating Council. The purpose of the Family Violence Coordinating Councils, at both the State and local/circuit level, is to establish a forum to improve the institutional, professional, and community response to family violence including child abuse, domestic abuse, and elder abuse; to engage in education and prevention; the coordination of intervention and services for victims and perpetrators; and to contribute to the improvement of the legal system and the administration of justice.

Hearing/Vision Screening – Used to account for a hearing screenings program funded through the Illinois Department of Public Aid.

Local Donations – Used to account for donations given to assist the McKinney Education for Homeless Children Grant and the Child and Family Connections Grant.

McKinney Education for Homeless Children – Used to account for the McKinney Education for Homeless Children Grant, a program to facilitate the enrollment, attendance, and success of homeless youths in school.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

Major Special Revenue Funds (Continued)

Education Fund (Continued)

New Principal Mentoring – A program that provides for the selection and training of experienced principals to serve as mentors for new principals and for the new principal’s participation in the mentoring program designed for them.

Regional Safe Schools – Used to account for an alternative schools program of centralized instructional programs for students with specialized needs.

Regional Safe Schools Cooperative – This program provides support for the individual needs and learning styles of students while focusing on twelve employability skills recognized by adult service agencies.

Regional System Provider/Federal System – Used to account for federal revenues to support a regionalized system of support to assist schools in academic difficulty.

ROE Technology Maintenance – Used to account for revenues and expenditures of the ISBE Technology Maintenance grant program.

School and Community Assistance Team – A program that trains individuals for crisis management.

STEM – Used to account for federal revenue to support the STEM professional learning in conjunction with Western Illinois University and the Regional Office of Education #48 for the cohort in Macomb, Illinois.

Teen Court Donations – Used to account for donations received for the completion of a handicapped-accessible deck located in the Teen Court Community Garden.

Teen Court Fines – Used to account for donations from fines in McDonough County to support a program in which teens participate in community service held in the Teen Court Community Garden.

Title I – Foundational Services – The Illinois State Board of Education Quality Assurance Process consists of an external visit to audit each school every few years and an internal review that each school must conduct annually. The Regional Office of Education #26 is charged with supporting and guiding schools through this complex school improvement process so that teaching and learning improve every year.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Concluded)

Major Special Revenue Funds (Concluded)

Education Fund (Concluded)

Title II – Teacher Leadership – This program accounts for the purchasing of evaluation training for teachers and evaluator training for principals through Growth Through Learning Illinois.

Title II – Teacher Quality – Used to account for funding to increase student achievement by elevating teacher and principal quality through recruitment, hiring, and retention strategies and to hold local education agencies and schools accountable for improvements in student academic achievement.

Title IV – Safe and Drug Free Formula – Used to account for a regional, multi-district program on drug and alcohol abuser education and prevention for students throughout all grade levels (pre-K through 12).

Truants Alternative Optional Education – Used to account for State grant revenues and expenditures to provide tutoring services and to encourage students to stay in school.

Truants Alternative Optional Education Program Training – Used to account for State grant proceeds expended to train individuals in Truants Alternative Education.

United Way – Used to account for funding from local United Way for child birth classes and materials.

WC4 (ROE/ISC Operations) – Used to develop and implement a regional improvement plan.

The Regional Office of Education #26 reports the following nonmajor special revenue funds:

General Education Development (GED) – Used to account for fees and expenditures incidental to administering the high school equivalency testing program.

Bus Driver Training – Used to account for fees and expenditures incidental to conducting courses of instruction for school bus drivers pursuant to the standards established by the Illinois Secretary of State.

Institute – Used to account for examination, registration, and renewal fees for teaching licenses and to defray expenses incidental to teachers' institutes, workshops and professional meetings.

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REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

PROPRIETARY FUNDS

Proprietary Funds – Proprietary funds account for revenue and expenses related to services provided to organizations inside the Region on a cost-reimbursement basis. The Regional Office of Education #26 reports the following major proprietary fund:

Western Area Purchasing Co-op – A joint agreement used to reduce costs to school districts by purchasing various supplies in larger quantities. School districts in west central Illinois place orders with the Co-op, which accumulates the orders and purchases large quantities for distribution to the districts. As noted previously, the Purchasing Co-op is a discretionary enterprise fund.

The Regional Office of Education #26 reports the following nonmajor proprietary funds:

Workshop Fund – Accounts for all activity for workshops managed by the Regional Office.

Fingerprinting Fund – Accounts for the activity for fingerprinting services.

FIDUCIARY FUNDS

Agency Funds – Fiduciary funds account for assets held by the Regional Office of Education #26 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. Agency funds include the following:

Administrators Roundtable – This fund accounts for the activities of a group of area educational administrators partnering with Western Illinois University's Education Leadership Department. Monies are used to enhance district resources by providing an opportunity for administrators to receive and discuss information related to significant issues in the State and Region.

Area III Superintendents – Accounts for collective activities of all the Area III regional superintendents. Membership fees are used to provide meetings and seminars for disseminating current information on administration issues.

Hancock County Principals – Accounts for collective activities of all the Hancock County school principals. Fees are used to provide meetings and seminars for disseminating current information on administration issues.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Concluded)

FIDUCIARY FUNDS (Concluded)

Regional Board of School Trustees – Accounts for the marketing and disposal of school properties belonging to local education agencies and for expenses related to detachment petitions.

School Occupation Facility Tax – This fund accounts for the assets held by the Regional Office of Education #26 to be distributed to local school districts. Monies are received from the State Comptroller for the School Facilities Occupation Tax and are disbursed to the school districts.

Western Area Career System (WACS) – This system is housed within the Regional Office of Education #26's office and shares the same phone system, copier, etc. The Regional Office of Education records the WACS' phone and copier usage and appropriately charges WACS monthly for the usage.

Distributive Fund – The resources in this fund are received by and passed through the Regional Office from the State to their owners. Entities whose resources are received by and passed through the Distributive Fund include the Western Area Career System, West Central Illinois Special Ed, and the Regional Office of Education #26.

I. GOVERNMENTAL FUND BALANCES

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

Nonspendable Fund Balance – The portion of a governmental fund's net position that is not available to be spent, either short term or long term, due to either its form or legal restrictions. The Regional Office of Education #26 has no nonspendable fund balances.

Restricted Fund Balance – The portion of a governmental fund's net position that is subject to external enforceable legal restrictions. The following Education Fund accounts' fund balances are restricted by donor restrictions, grant agreements, or contracts: Family Violence, Hearing/Vision Screening, Local Donations, New Principal Mentoring, ROE Technology Maintenance, School and Community Assistance Team, Teen Court Donations, and United Way. The following fund balances are restricted by Illinois Statute: General Education Development, Bus Driver Training, and Institute Funds.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. GOVERNMENTAL FUND BALANCES (Concluded)

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 #26 has no committed fund balances.

Assigned Fund Balance – The portion of a governmental fund’s net position for which an intended use of resources has been denoted. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The Regional Office of Education #26 has no assigned fund balances.

Unassigned Fund Balance – Available expendable financial resources in a governmental fund that are not designated for a specific purpose. The Regional Office of Education #26 has unassigned fund balances in the following General Fund accounts: County, Regional Programs, Interest, Alternative Schools, Apex, and Online Clearing.

J. NET POSITION

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

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

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

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

K. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on deposit and invested in money market accounts. The Regional Office of Education #26 considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

L. INVENTORY

Inventories are carried at the lower of cost or market, cost being determined on the first-in, first-out (FIFO) method.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. CAPITAL ASSETS

Capital assets, which include buildings, software, and furniture and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets purchased or acquired with an original cost of \$500 or more with a useful life of greater than one year are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation is computed using the straight-line method over the following estimated useful lives: software over 3 years, furniture and equipment over 5 years, and buildings over 40 years.

N. COMPENSATED ABSENCES

The eligible employees of the Regional Office earn vacation days based on the number of full-time years worked as follows: 10 days for full-time staff employed less than 5 years, 15 days for full-time staff employed between 5 and 14 years, and 20 days for full-time staff employed 15 years or more. An employee may accumulate up to the number of vacation days earned in two years before accrual ceases. On termination, any accumulated vacation is treated as unused sick leave when calculating length of service for pension purposes, if applicable, but is not paid. Any accruals as of June 30th are reported as a liability for compensated absences in the Statement of Net Position. At June 30, 2016, the balance of compensated absences was \$55,457, a decrease of \$10,695 from the previous fiscal year.

	Balance July 1, 2015	Additions	Decreases	Balance June 30, 2016
Compensated absences	\$ 66,152	\$ -	\$ 10,695	\$ 55,457

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

Eligible employees receive up to 12 sick days annually. A maximum of 240 days of sick leave may be accumulated by permanent full-time employees, but no payment is made for unused sick leave when a person leaves his or her position. Therefore, no liability for unused sick leave is accrued.

O. 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.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

P. BUDGET INFORMATION

The Regional Office of Education #26 acts as the administrative agent for certain grant programs that are accounted for in the General and Education Funds. Certain programs have separate budgets and are required to report to the Illinois State Board of Education; however, none of the annual budgets have been legally adopted, nor are they required to be. Comparisons of budgeted and actual results are presented as supplemental information. Budgetary comparison schedules have been provided in supplementary schedules for the following funds: Child and Family Connections, Early Childhood Grant, Early Childhood Block Grant, McKinney Education for Homeless Children, Regional Safe Schools, Regional Safe Schools Cooperative, Title II – Teacher Leadership, Title II – Teacher Quality, Truants Alternative Optional Education, Truants Alternative Optional Education Program Training, and WC4 (ROE/ISC Operations).

Q. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

The *Illinois Compiled Statutes* authorize the Regional Office of Education #26 to make deposits and invest in U.S. Government, State of Illinois, and municipal securities; certificates of deposit or time savings deposits insured by the FDIC; mortgage notes, bonds, or debentures issued by the Federal Housing Administration; bonds and other obligations of the Federal National Mortgage Association; commercial paper rated within the three highest classifications by at least two standard rating services; credit union shares; and the Illinois Funds.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (Concluded)

A. DEPOSITS

At June 30, 2016, the carrying amount of the Regional Office of Education #26's government-wide and agency fund deposits were \$769,632 and \$23,436, respectively, and the bank balances were \$851,629 and \$26,190, respectively. Of the total bank balances as of June 30, 2016, \$250,618 was secured by federal depository insurance, \$553,015 was collateralized by securities pledged by the Regional Office of Education #26's financial institution on behalf of the Regional Office, and \$74,186 was invested in the Illinois Funds Money Market Fund.

B. INVESTMENTS

The Regional Office of Education #26 does not have a formal investment policy but requires that funds be invested solely in investments authorized by the Public Funds Investment Act, 30 ILCS 235/2. The Regional Office of Education #26's only investments are internally pooled in the Illinois Funds Money Market Fund. As of June 30, 2016, the Regional Office of Education #26 had investments with carrying value of \$74,186 in the Illinois Funds Money Market Fund.

CREDIT RISK

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

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 Fund 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.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 – DEFINED BENEFIT PENSION PLAN

IMRF Plan Description

The Regional Office of Education #26'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 #26'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 following "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided

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

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

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

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

Employees Covered by Benefit Terms

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

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 REGIONAL OFFICE OF EDUCATION #26
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)

	IMRF
Retirees and Beneficiaries currently receiving benefits	28
Inactive Plan Members entitled to but not yet receiving benefits	29
Active Plan Members	20
Total	77

Contributions

As set by statute, the Regional Office of Education #26’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 #26’s annual contribution rate for calendar year 2015 was 12.59%. For the calendar year ended 2015, the Regional Office of Education #26 contributed \$95,671 to the plan. The Regional Office of Education #26 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 #26’s net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 3.5%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)

- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2015:

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

Single Discount Rate

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

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

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

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (Asset) (A) - (B)
Balances at December 31, 2014	\$ 3,020,196	\$ 2,847,274	\$ 172,922
Changes for the year:			
Service Cost	153,971	-	153,971
Interest on the Total Pension Liability	229,588	-	229,588
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	107,718	-	107,718
Changes of Assumptions	-	-	-
Contributions - Employer	-	95,671	(95,671)
Contributions - Employees	-	41,338	(41,338)
Net Investment Income	-	334,849	(334,849)
Benefit Payments, including Refunds of Employee Contributions	(75,704)	(75,704)	-
Other (Net Transfer)	-	(47,116)	47,116
Net Changes	415,573	349,038	66,535
Balances at December 31, 2015	<u>\$ 3,435,769</u>	<u>\$ 3,196,312</u>	<u>\$ 239,457</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	\$ 736,633	\$ 239,457	\$ (157,729)

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

For the year ending June 30, 2016, the Regional Office of Education #26 recognized pension expense of \$263,578. At June 30, 2016, the Regional Office of Education #26 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 3 – DEFINED BENEFIT PENSION PLAN (Concluded)

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	\$ 1,947,231	\$ 2,013,660
Changes of assumptions	40,444	-
Net difference between projected and actual earnings on pension plan investments	<u>20,327</u>	<u>85,407</u>
Total Deferred Amounts to be recognized in pension expense in future periods	<u>2,008,002</u>	<u>2,099,067</u>
Pension Contributions made subsequent to the Measurement Date	<u>50,502</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u><u>\$ 2,058,504</u></u>	<u><u>\$ 2,099,067</u></u>

\$50,502 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending December 31	Net Deferred Outflows (Inflows) of Resources
2016	\$ 161,574
2017	135,073
2018	(366,361)
2019	(21,351)
2020	-
Thereafter	<u>-</u>
Total	<u><u>\$ (91,065)</u></u>

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

The Regional Office of Education #26 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.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

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

Benefits provided

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

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

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

Contributions

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

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2016, was 9.4 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the Regional Office of Education #26.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 – 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 #26. For the year ended June 30, 2016, State of Illinois contributions recognized by the Regional Office of Education #26 were based on the State’s proportionate share of the collective net pension liability associated with the Regional Office of Education #26, and the Regional Office of Education #26 recognized revenue and expenditures of \$308,269 in pension contributions from the State of Illinois.

2.2 formula contributions. Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2016, were \$3,443, and are deferred because they were paid after the June 30, 2015, measurement date.

Federal and special trust fund contributions. When TRS members are paid from federal and special trust funds administered by the Regional Office of Education #26, there is a statutory requirement for the Regional Office of Education #26 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the State contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2016, the employer pension contribution was 36.06 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2016, there were no salaries paid from federal and special trust funds that required employer contributions.

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 #26 is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member’s age and salary. The maximum employer ERO contribution under the current program is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2016, the Regional Office of Education #26 paid no employer ERO contributions.

The Regional Office of Education #26 is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree’s final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2016, the Regional Office of Education #26 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 allotment.

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REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

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

At June 30, 2016, the Regional Office of Education #26 reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for State pension support provided to the employer. The State’s support and total are for disclosure purposes only. The amount recognized by the employer as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the employer were as follow:

Employers proportionate share of the net pension liability	\$ 313,642
State’s proportionate share of the net pension liability associated with the employer	<u>3,762,668</u>
Total	<u>\$ 4,076,310</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, and rolled forward to June 30, 2015. The Regional Office of Education #26’s proportion of the net pension liability was based on the employer’s share of contributions to TRS for the measurement year ended June 30, 2015, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2015, the Regional Office of Education #26’s proportion was .0004787691 percent, which was an increase of .0000499587 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Regional Office of Education #26 recognized pension expense of \$308,269 and revenue of \$308,269 for support provided by the State. For the year ended June 30, 2016 the Regional Office of Education #26 recognized pension income of \$11,422. At June 30, 2016, the Regional Office of Education #26 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	\$ 116	\$ 344
Net difference between projected and actual earnings on pension plan investments	6,211	10,983
Changes of assumptions	4,338	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	15,103	115,710
Employer contributions subsequent to the measurement date	3,443	-
Total	<u>\$ 29,211</u>	<u>\$ 127,037</u>

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 REGIONAL OFFICE OF EDUCATION #26
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

\$3,443 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (34,298)
2018	(34,298)
2019	(34,298)
2020	1,626
	\$ (101,268)

Actuarial assumptions

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

Inflation	3.00 percent
Salary Increase	varies by amount of service credit
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions for the years ended June 30, 2015 and 2014 were different. The actuarial assumptions used in the June 30, 2015 valuation were based on the 2015 actuarial experience analysis. The investment return assumption remained at 7.5 percent, salary increase assumptions were lowered, retirement rates were increased, mortality updates were made and other assumptions were revised. The actuarial assumptions used in the June 30, 2014 valuation were based on updates to economic assumptions adopted in 2014 which lowered the investment return assumption from 8.0 percent to 7.5 percent. The salary increase and inflation assumptions were also lowered from their 2013 levels.

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

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REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

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

Discount Rate

At June 30, 2015, the discount rate used to measure the total pension liability was a blended rate of 7.47 percent, which was a change from the June 30, 2014 rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and state contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS’s fiduciary net position at June 30, 2015 was not projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier I’s liability is partially funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. Despite the subsidy, all projected future payments were not covered, so a slightly lower long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity of the Regional Office of Education #26’s proportionate share of the net pension liability to changes in the discount rate

The following presents the Regional Office of Education #26’s proportionate share of the net pension liability calculated using the discount rate of 7.47 percent, as well as what the employer’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.47 percent) or 1 percentage point higher (8.47 percent) than the current rate.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Concluded)

	1% Decrease (6.47%)	Current Discount Rate (7.47%)	1% Increase (8.47%)
Employer's proportionate share of the net pension liability	\$ 387,584	\$ 313,642	\$ 253,007

TRS fiduciary net position

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

NOTE 5 – TEACHER HEALTH INSURANCE SECURITY

The Regional Office of Education #26 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers’ Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the State-administered participating provider option plan or choose from several managed care options. Annuitants who are enrolled in Medicare Parts A and B may be eligible to enroll in Medicare Advantage plans.

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

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

On-behalf contributions to the THIS Fund. The State of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office of Education #26. State contributions are intended to match contributions to the THIS Fund from active members which were 1.07 percent of pay during the year ended June 30, 2016. State of Illinois contributions were \$6,350, and the Regional Office of Education #26 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2015 and 2014, were 1.02 and 0.97 percent of pay, respectively. State contributions on behalf of Regional Office of Education #26’s employees were \$4,488 and \$4,186, respectively

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 5 – TEACHER HEALTH INSURANCE SECURITY (Concluded)

Employer contributions to the THIS Fund. The Regional Office of Education #26 also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.80 percent during the year ended June 30, 2016, and 0.76 and 0.72 percent during the years ended June 30, 2015 and 2014, respectively. For the year ended June 30, 2016, the Regional Office of Education #26 paid \$4,748 to the THIS Fund, which was 100 percent of the required contribution. For the years ended June 30, 2015 and 2014, the Regional Office paid \$3,344 and \$3,107 to the THIS Fund, respectively, which was 100 percent of the required contribution.

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

NOTE 6 – RISK MANAGEMENT

The Regional Office of Education #26 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 #26 has purchased commercial insurance to cover these risks. No losses have been incurred in excess of the amounts covered by insurance over the past three years.

NOTE 7 – INTERFUND ACTIVITY

DUE TO/FROM OTHER FUNDS

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

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds		
Education Fund	\$ -	\$ 295,040
General Fund	478,969	183,697
General Education Development Fund	-	232
Total	\$ 478,969	\$ 478,969

TRANSFERS

Interfund transfers in/out to other funds at June 30, 2016, consist of the following individual transfers in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position. The transfer balances between governmental funds were eliminated in the government-wide Statement of Activities.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – INTERFUND ACTIVITY (Concluded)

TRANSFERS (Concluded)

Fund	Transfer In	Transfer Out
General Fund:		
County	\$ -	\$ 289
Regional Programs	60,970	-
Interest	-	1,617
Hancock McDonough Alternative Schools	212,588	-
Online Clearing	1,600	-
Education Fund:		
Early Childhood Grant (3705-00)	2,633	-
Family Literacy	-	737
Regional Safe Schools	-	217,255
Regional System Provider/Federal System	-	27,787
ROE Technology Maintenance	394	-
STEM	-	1,831
Title IV - Safe and Drug Free Formula	-	632
Proprietary Fund:		
Workshop Fund	-	394
Fingerprinting Fund	-	27,643
	<u>\$ 278,185</u>	<u>\$ 278,185</u>

NOTE 8 – OPERATING LEASES

The Regional Office of Education #26 leases classroom and office space from various parties. During the fiscal year 2016, the Regional Office of Education #26 leased classroom and office space located at 553 Main Street, Carthage, Illinois, from individuals for \$850 per month. The lease term began on August 1, 2014, and ended on July 31, 2015, but was renewed for the period August 1, 2015, through July 31, 2016 at the same monthly rate.

The Regional Office of Education #26 also leased classrooms and office space located at 1301 North Main Street, Suite 3, Monmouth, Illinois, from Standard of Beaverdale, Inc., for \$610.72 per month. An annual inflation adjustment of 3.0% per year is added each year, beginning in 2012. The lease term began on April 1, 2015, and ended on March 31, 2016, but was renewed for the period July 1, 2016, through June 30, 2021, at \$20,000 per year.

The Regional Office of Education #26 leases office space located on 341 South Johnson Street, Macomb, Illinois, from Gamage Appliance for \$2,500 per month. The lease term is from July 1, 2015, to June 30, 2016.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 – OPERATING LEASES (Concluded)

The Regional Office of Education #26 had a lease agreement with the Macomb Public Building Commission from January 1, 2013, through December 31, 2015, for office space at 130 South Lafayette Street, Suite 200, Macomb, Illinois, for \$2,150 per month. Beginning January 1, 2016, the lease become a month-to-month lease at \$2,150 per month. A new lease will be signed when the County presents the Regional Office with the new County budget at the beginning of the County’s fiscal year.

The Regional Office leased office space located at 616 East Polk, Cuba, Illinois, from the City of Cuba Community Center for \$200 per month. The lease ran from July 1, 2015, through June 30, 2016, with an option to renew yearly.

The Regional Office leased office space located at 500 Wabash, Carthage, Illinois, from the Carthage Library District for \$100 per month. This is a month-to-month lease that may be canceled with 30 days notice.

Total lease expense for the year ended June 30, 2016, was \$75,096. Future minimum lease payments are as follows for the years ending June 30:

2017	\$	20,850
2018		20,000
2019		20,000
2020		20,000
2021		20,000
2022 and thereafter		-
		\$ 100,850

NOTE 9 – CAPITAL ASSET ACTIVITY

In accordance with GASB Statement No. 34, the Regional Office of Education #26 has reported capital assets in the government-wide Statement of Net Position. Purchases are reported as capital outlay in the governmental fund statements. Purchases of business-type activities are capitalized when purchased. The Regional Office’s assets consist of buildings, software, and equipment. The following table provides a summary of changes in total assets, accumulated depreciation, and investment in capital assets for the year ended June 30, 2016:

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 – CAPITAL ASSET ACTIVITY (Concluded)

	Balance June 30, 2015	Additions	Consolidation	Balance June 30, 2016
Governmental Activities:				
Software, Furniture and Equipment, and Building	\$ 183,985	\$ 19,265	\$ 8,819	\$ 212,069
Governmental Activities Total Assets	183,985	19,265	8,819	212,069
Less Accumulated Depreciation	118,559	27,105	-	145,664
Governmental Activities Investment in Capital Assets, Net	<u>\$ 65,426</u>	<u>\$ (7,840)</u>	<u>\$ 8,819</u>	<u>\$ 66,405</u>
Business-type Activities:				
Building	\$ 74,900	\$ 1,696	\$ -	\$ 76,596
Software, Furniture and Equipment	14,861	-	-	14,861
Business-type Activities Total Assets	89,761	1,696	-	91,457
Less Accumulated Depreciation	32,428	3,380	-	35,808
Business-type Activities Investment in Capital Assets, Net	<u>\$ 57,333</u>	<u>\$ (1,684)</u>	<u>\$ -</u>	<u>\$ 55,649</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, 2016, of \$27,105 and \$3,380 was charged to the governmental activities – Instructional Services and the 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.

NOTE 10 – ON-BEHALF PAYMENTS

The State of Illinois paid the following salaries, benefits, and contributions on behalf of the Regional Office of Education #26:

Regional Superintendent Salary	\$ 107,208
Assistant Regional Superintendent Salary	96,492
Regional Superintendent Benefits (includes State-paid insurance)	35,288
Assistant Regional Superintendent Benefits (includes State-paid insurance)	34,638
THIS Contributions	<u>6,350</u>
Total	<u>\$ 279,976</u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 – ON-BEHALF PAYMENTS (Concluded)

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

Regional Office of Education #26 also recorded \$308,269 in revenue and expenses as on-behalf payments from ISBE for the Regional Office’s share of the State’s Teachers’ Retirement System (TRS) pension expense in the Statement of Activities. In addition, the Regional Office of Education #26 has not included any on-behalf payments related to the State’s TRS pension expense for the Regional Superintendent or Assistant Regional Superintendents.

State of Illinois on-behalf payments	\$	279,976
ROE #26’s share of TRS pension expense		308,269
Total		\$ 588,245

NOTE 11 – DUE TO/FROM OTHER GOVERNMENTS

The Regional Office of Education #26’s General Fund, Education Fund, Nonmajor Special Revenue Funds, Proprietary Funds, and Fiduciary Funds have funds due from/to various other governmental units which consist of the following:

Due from Other Governments:

General Fund

Local Governments	\$	108,484
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Education Fund

Illinois State Board of Education		301,162
Department of Human Services		78,281

Nonmajor Special Revenue Funds

Illinois State Board of Education		1,508
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Proprietary Funds

Local Governments		158,152
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Fiduciary Funds

Illinois State Board of Education		1,641,914
Local Governments		379

Total		\$2,289,880
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Due to Other Governments:

Education Fund

Illinois State Board of Education	\$	6,145
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Proprietary Funds

Local Governments		131,770
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Fiduciary Funds

Local Governments		1,665,729
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Total		\$1,803,644
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FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 NOTES TO THE FINANCIAL STATEMENTS
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NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

The Regional Office of Education #26 participates in the Western Area School Health Benefit Plan (“Plan”) as a member of the Western Area School Association (“Association”). The Plan is a cost-sharing, multiple-employer defined-benefit postemployment health care plan that was established by certain Illinois local governmental units constituting the Association pursuant to the Illinois Intergovernmental Cooperation Act, 5 ILCS 220/1 et seq., for the benefit of certain employees (and their dependents) of the members of the Association. The Plan is funded through the Western Area School Employee Benefits Trust (“Trust”) which is also controlled by the Association. The Association, Plan, and Trust together constitute a joint insurance pool under 5 ILCS 220/6. The Association is the administrator of the Plan. The MidAmerica National Bank, N.A., is the trustee of the Trust.

The Plan provides medical, dental, vision, and prescription drug benefits to employees (and their dependents) of the members of the Association. Participants may elect several different subplans with different deductibles and out-of-pocket maximums. The benefits are determined by the Association and the Plan may be amended or terminated by the Association. Some benefits are required by the Illinois Insurance Code, 215 ILCS 5/1 et seq., and the federal Public Health Code, 42 USC 300gg et seq.

Contributions to the Plan and Trust are determined by the Association board in consultation with its actuary pursuant to the terms of the Plan and Trust as allowed by the Illinois Intergovernmental Cooperation Act. Association members are required to contribute funds as assessed by the Association board in accordance with the terms of the Trust.

The following contributions were required for the ROE for the Plan year 2015-2016:

	PREMIUMS			
	<u>Single</u>	<u>Employee + 1</u>	<u>Employee + 2</u>	<u>Employee + 3/more</u>
Medical & Rx				
\$1,000 Deductible Plan	\$ 721	\$ 1,609	\$ 1,622	\$ 1,744
\$2,000 Deductible Plan	699	1,428	1,435	1,537
\$3,000 HSA Plan	656	1,216	1,220	1,296
Dental (optional)	\$ 22	\$ 41	\$ 51	\$ 66
Vision (optional)	\$ 10	\$ 14	\$ 20	\$ 31
Basic Life Insurance & AD&D				
\$10,000 life plus AD&D	\$1.30 per employee per month			
Dependent Life Insurance				
\$5,000	\$2.98 per employee per month			
\$2,000	\$0.78 per employee per month			

Of these contributions, the employees or former employees must pay:

- For employee Medical & RX and dental – 0% of the contributions
- For dependent and vision coverage – 100% of the contributions

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The following contributions are required for the Regional Office of Education #26 for the Plan year 2014-2015:

	PREMIUMS			
	Single	Employee + 1	Employee + 2	Employee + 3/more
Medical & Rx				
\$1,000 Deductible Plan	\$ 678	\$ 1,509	\$ 1,522	\$ 1,639
\$2,000 Deductible Plan	657	1,339	1,345	1,443
\$3,000 HSA Plan	617	1,138	1,143	1,218
Dental (optional)	\$ 21	\$ 39	\$ 49	\$ 63
Vision (optional)	\$ 9	\$ 13	\$ 18	\$ 28
Basic Life Insurance & AD&D				
\$10,000 life plus AD&D	\$1.30 per employee per month			
Dependent Life Insurance				
\$5,000	\$2.98 per employee per month			
\$2,000	\$0.78 per employee per month			

Of these contributions, the employees or former employees must pay:

- For employee Medical & Rx and dental – 0% of the contributions
- For dependent and vision coverage – 100% of the contributions

The following contributions were required for the Regional Office of Education #26 for the Plan year 2013-2014:

	PREMIUMS			
	Single	Employee + 1	Employee + 2	Employee + 3/more
Medical & Rx				
The following rates include the cost for major medical and Rx card.				
\$750** Deductible Plan	\$ 648	\$ 1,445	\$ 1,457	\$ 1,567
\$1,000 Deductible Plan	648	1,445	1,457	1,567
\$2,000 Deductible Plan	628	1,284	1,290	1,383
\$3,000** Deductible Plan	617	1,166	1,171	1,244
\$5,000** Deductible Plan	562	1,003	1,015	1,104
\$3,000 HSA Plan	591	1,096	1,100	1,171
**Discontinued deductible on 1/1/2014				
Dental (optional)	\$ 20	\$ 37	\$ 47	\$ 60
Vision (optional)	\$ 8	\$ 12	\$ 16	\$ 25
Basic Life Insurance & AD&D				
\$10,000 life plus AD&D	\$1.30 per employee per month			
Dependent Life Insurance				
\$5,000	\$2.98 per employee per month			
\$2,000	\$0.78 per employee per month			

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
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NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Of these contributions, the employees or former employees must pay:

For employee Medical & Rx and dental – 0% of the contributions
 For dependent and vision coverage – 100% of the contributions

The following contributions were required for the Regional Office of Education #26 for the Plan period 1/1/2013 – 9/30/2013:

	PREMIUMS			
	<u>Single</u>	<u>Employee + 1</u>	<u>Employee + 2</u>	<u>Employee + 3/more</u>
Medical & Rx				
The following rates include the cost for major medical and Rx card.				
\$750 Deductible Plan	\$ 612	\$ 1,407	\$ 1,422	\$ 1,540
\$1,000 Deductible Plan	591	1,292	1,303	1,401
\$2,000 Deductible Plan	572	1,149	1,155	1,237
\$3,000 Deductible Plan	562	1,081	1,085	1,153
\$5,000 Deductible Plan	511	930	941	1,023
\$3,000 HSA Plan	538	1,016	1,020	1,085
Dental (optional)	\$ 19	\$ 35	\$ 44	\$ 57
Vision (optional)	\$ 7	\$ 11	\$ 14	\$ 22
Basic Life Insurance & AD&D				
\$10,000 life plus AD&D	\$1.30 per employee per month			
Dependent Life Insurance				
\$5,000	\$2.98 per employee per month			
\$2,000	\$0.78 per employee per month			

Of these contributions, the employees or former employees must pay:

For employee Medical & Rx and dental – 0% of the contributions
 For dependent and vision coverage – 100% of the contributions

Of these contributions, the employees or former employees must pay:

For employee Medical & Rx and dental – 0% of the contributions
 For dependent and vision coverage – 100% of the contributions

The publicly available financial report of the Plan and Trust may be obtained by writing to:

Western Area School Association
 c/o David Thompson
 David Thompson Insurance
 120 W. Carroll Street
 Macomb, IL 61455

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Concluded)

In addition, the Regional Office of Education #26 allows IMRF employees who retire through the Plan the option to continue to participate in the plan as required by the Illinois Compiled Statutes, with the retiree paying the full premium cost for the coverage. This has not created an implicit subsidy as defined by Governmental Accounting Standard Board (GASB) Statement No. 45 as the Plan is considered a community-rated plan. In addition, the Regional Office of Education #26 has no explicit subsidy as defined by GASB Statement No. 45.

NOTE 13 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Generally accepted accounting principles require disclosure of certain information concerning individual funds which are presented only in combination on the financial statements. Funds having deficit fund balances/net position and funds which overexpend appropriations during the year are required to be disclosed. The following funds had fund deficits as of June 30, 2016:

<u>Fund</u>	<u>Amount</u>
General Fund	
Regional Programs	\$156,426
Proprietary Fund	
Western Area Purchasing Co-op	\$159,541

NOTE 14 – REGIONAL OFFICE OF EDUCATION CONSOLIDATION

On November 22, 2013, the Illinois State Board of Education adopted a motion pursuant to its obligation under 105 ILCS 5/3A-4(a), which recognized consolidations agreed to via county board resolutions prior to June 30, 2013, and directed certain other consolidations. Effective July 1, 2015, Fulton/Hancock/ McDonough/Schuyler Counties Regional Office of Education #26 consolidated Fulton and Schuyler Counties Regional Office of Education #22 into its educational service region.

The Regional Office of Education #26 reclassified the opening fund balance for the following Governmental funds due to the consolidation: County, Regional Programs, Interest, Alternative Schools, New Principal Mentoring, Regional Safe Schools, Regional System Provider/Federal System, School and Community Assistance Team, General Education Development, Bus Driver Training and Institute. The Regional Office of Education #26 also reclassified the opening fund balance for the following Proprietary fund due to the consolidation: Fingerprinting Fund.

During the consolidation, the Regional Office of Education #26 acquired capital assets with a value of \$8,819. These capital assets are reflected in the July 1, 2015 balance of Governmental Activities. The opening net position of the governmental activities on the government-wide Statement of Activities has been restated. See also Note #9 for changes in the capital asset values.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 – REGIONAL OFFICE OF EDUCATION CONSOLIDATION (Continued)

The Regional Office of Education #26 implemented GASB Statement Nos. 68 and 71 in fiscal year 2015 and, therefore, restated July 1, 2014, net pension to recognize deferred outflows of resources, deferred inflows of resources, and net pension liability in the prior year related to IMRF. During the consolidation process, the Regional Office of Education #26 acquired the deferred outflows of resources, deferred inflows of resources, and net pension liability related to Fulton/Schuyler Counties Regional Office of Education #22. The net ending balance of the deferred outflows of resources, deferred inflows of resources, and net pension liability relating to TRS in the prior year was \$20,514.

Activity related to compensated absences was recognized in the governmental fund statements in fiscal year 2015. A prior-period adjustment has been made to remove the impact of incorrectly recognizing the expense associated with these compensated absences and properly reflect the beginning fund balance for the General Fund.

The following beginning balances have been restated as follows:

General Fund

Fund Balance - Beginning	\$ 423,412
Effect of Prior-Period Adjustment to Remove Compensated Absences at June 30, 2015	66,152
Effect of Consolidation on Opening Fund Balance	231,534
Fund Balance - Beginning, Restated	<u><u>\$ 721,098</u></u>

Education Fund

Fund Balance - Beginning	\$ 15,255
Effect of Consolidation on Opening Fund Balance	340,711
Fund Balance - Beginning, Restated	<u><u>\$ 355,966</u></u>

Nonmajor Special Revenue Funds

Fund Balance - Beginning	\$ 55,538
Effect of Consolidation on Opening Fund Balance	100,856
Fund Balance - Beginning, Restated	<u><u>\$ 156,394</u></u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 – REGIONAL OFFICE OF EDUCATION CONSOLIDATION (Continued)

Proprietary Fund

Net Position (Deficit) - Beginning	\$ (81,186)
Effect of Consolidation on Opening Net Position	3,284
Net Position (Deficit) - Beginning, Restated	<u><u>\$ (77,902)</u></u>

Governmental Activities Net Position

Net Position - July 1, 2015	\$ 140,813
Effect of Consolidation on Opening Net Position	673,101
Effect of Recognizing Net Deferred Outflows, Inflows, and Net Pension Liability	(20,514)
Effect of Consolidation on Fair Market Value of Capital Assets	8,819
Net Position, Restated - July 1, 2015	<u><u>\$ 802,219</u></u>

Business-Type Activities Net Position

Net Position - Beginning	\$ (81,186)
Effect of Consolidation on Opening Net Position	3,284
Net Position - Beginning, Restated	<u><u>\$ (77,902)</u></u>

During the consolidation, the Regional Office of Education #26 received \$3,284 in cash and cash equivalents related to business-type activities. The beginning cash balances of the business-type activities on the Proprietary Fund Statement of Cash Flows have been restated to reflect these cash balances.

The following beginning cash balances have been restated as follows:

Business-Type Activities Cash

Cash and Cash Equivalents - Beginning	\$ 45,186
Effect of Consolidation on Opening Cash and Cash Equivalents Balance	3,284
Cash and Cash Equivalents - Beginning, Restated	<u><u>\$ 48,470</u></u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 – REGIONAL OFFICE OF EDUCATION CONSOLIDATION (Concluded)

Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26 began operations on July 1, 2015, and was formed from the merger of Hancock/McDonough Counties Regional Office of Education #26 and Fulton/Schuyler Counties Regional Office of Education #22. The merger resulted from the Illinois State Board of Education’s adoption of a motion pursuant to its obligation under 105 ILCS 5/3A-4(a), which recognized consolidations agreed to via county board resolutions prior to June 30, 2013. The initial opening balances of Fulton/Hancock/McDonough/Schuyler Counties Regional Office of Education #26’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, as of the beginning of the period, were determined on the basis of the carrying values reported in the separate financial statements of Hancock/McDonough Counties Regional Office of Education #26 and Fulton/Schuyler Counties Regional Office of Education #22 as of July 1, 2015, as follows:

Merger of Operations as of July 1, 2015

	ROE #22	ROE #26	Total	Adjustments (Credit)	Total
Total Current Assets	\$ 684,601	\$ 1,133,965	\$ 1,818,566	\$ -	\$ 1,818,566
Total Noncurrent Assets	10,923	122,759	133,682	(2,104)	131,578
Total Assets	<u>695,524</u>	<u>1,256,724</u>	<u>1,952,248</u>	<u>(2,104)</u>	<u>1,950,144</u>
Deferred Outflows of Resources	<u>26,989</u>	<u>160,061</u>	<u>187,050</u>	<u>-</u>	<u>187,050</u>
Total Current Liabilities	8,216	778,279	786,495	-	786,495
Total Noncurrent Liabilities	44,543	401,700	446,243	-	446,243
Total Liabilities	<u>52,759</u>	<u>1,179,979</u>	<u>1,232,738</u>	<u>-</u>	<u>1,232,738</u>
Deferred Inflows of Resources	<u>2,960</u>	<u>177,179</u>	<u>180,139</u>	<u>-</u>	<u>180,139</u>
Net Position:					
Investment in Capital Assets	10,923	122,759	133,682	(2,104)	131,578
Restricted - Other	102,966	70,793	173,759	-	173,759
Unrestricted	552,905	(133,925)	418,980	-	418,980
Total Net Position	<u>\$ 666,794</u>	<u>\$ 59,627</u>	<u>\$ 726,421</u>	<u>\$ (2,104)</u>	<u>\$ 724,317</u>

The difference between amounts transferred from the Regional Office of Education #22 to the Regional Office of Education #26 in both the Total Noncurrent Assets and Investment in Capital Assets categories resulted from the impairment of capital assets and totaled \$2,104. All other amounts as originally reported by the Regional Office of Education #22 as of June 30, 2015 were transferred to the Regional Office of Education #26 as of July 1, 2015 and appropriately reflected in their accounting records.

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

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY & RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND
LAST TWO CALENDAR YEARS

Calendar Year Ended December 31,	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service Cost	\$ 153,971	\$ 83,338
Interest on the Total Pension Liability	229,588	171,386
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	107,718	(18,897)
Changes of Assumptions	-	84,040
Benefit Payments, including Refunds of Employee Contributions	(75,704)	(84,570)
Net Change in Total Pension Liability	<u>415,573</u>	<u>235,297</u>
 Total Pension Liability - Beginning (Restated)	 <u>3,020,196</u>	 <u>2,285,429</u>
 Total Pension Liability - Ending (A)	 <u><u>\$ 3,435,769</u></u>	 <u><u>\$ 2,520,726</u></u>
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 95,671	\$ 86,972
Contributions - Employees	41,338	33,791
Net Investment Income	334,849	137,716
Benefit Payments, including Refunds of Employee Contributions	(75,704)	(84,570)
Other (Net Transfer)	(47,116)	(1,818)
Net Change in Plan Fiduciary Net Position	<u>349,038</u>	<u>172,091</u>
 Plan Fiduciary Net Position - Beginning (Restated)	 <u>2,847,274</u>	 <u>2,207,902</u>
 Plan Fiduciary Net Position - Ending (B)	 <u><u>\$ 3,196,312</u></u>	 <u><u>\$ 2,379,993</u></u>
 Net Pension Liability - Ending (A) - (B)	 <u><u>\$ 239,457</u></u>	 <u><u>\$ 140,733</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 93.03%	 94.42%
 Covered Valuation Payroll	 \$ 760,063	 \$ 662,005
 Net Pension Liability as a Percentage of Covered Valuation Payroll	 31.50%	 21.26%

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.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND
LAST TWO CALENDAR YEARS

Calendar Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2015	\$ 95,670	\$ 95,671	\$ (1)	\$ 760,063	12.59%
2014	82,874	86,972	(4,098)	662,005	13.14%

Notes to Schedule:

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

Valuation Date:

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

Methods and Assumptions Used to Determine 2015 Contribution Rates:

<i>Actuarial Cost Method:</i>	Aggregate entry age = normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	28-year closed period
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	4%
<i>Price Inflation:</i>	3%, approximate; no explicit price inflation assumption is used in this valuation.
<i>Salary Increases:</i>	4.40% to 16%, including inflation
<i>Investment Rate of Return:</i>	7.50%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
<i>Mortality:</i>	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes: There were no benefit changes during the year.

* Based on Valuation Assumptions used in the December 31, 2013, actuarial valuation; note two-year lag between valuation and rate setting.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 SCHEDULE OF THE EMPLOYER'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
 FOR THE YEAR ENDED JUNE 30, 2016 †

	FY15*	FY14*
Employer's proportion of the net pension liability	0.0004787691%	0.0004288104%
Employer's proportionate share of the net pension liability	\$ 313,642	\$ 260,967
State's proportionate share of the net pension liability associated with the employer	3,762,668	2,627,105
Total	\$ 4,076,310	\$ 2,888,072
Employer's covered-employee payroll	\$ 440,045	\$ 431,540
Additional employer's covered-employee payroll due to consolidation	127,241	-
Total Employer's covered-employee payroll	567,286	431,540
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	55.3%	60.5%
Plan fiduciary net position as a percentage of the total pension liability	41.5%	43.0%

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

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

	FY16	FY15	FY14
Statutorily-required contribution	\$ 3,443	\$ 16,037	\$ 15,300
Contributions in relation to the statutorily-required contribution	3,443	16,083	15,589
Contribution deficiency (excess)	\$ -	\$ (46)	\$ (289)
Employer's covered-employee payroll	\$ 593,491	\$ 440,045	\$ 431,540
Contributions as a percentage of covered-employee payroll	0.58%	3.65%	3.61%

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

Notes to This Required Supplementary Information

Changes of assumptions

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

OTHER SUPPLEMENTAL INFORMATION

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 COMBINING SCHEDULE OF ACCOUNTS
 GENERAL FUND
 JUNE 30, 2016

	County	Regional Programs	Interest	Alternative Schools	Apex	Online Clearing	TOTALS
ASSETS							
Cash and cash equivalents	\$ 70,876	\$ -	\$ 68,321	\$ 180,769	\$ 102,085	\$ 1,788	\$ 423,839
Due from other funds	-	-	-	478,969	-	-	478,969
Due from other governments							
Local	-	-	379	58,440	49,665	-	108,484
TOTAL ASSETS	\$ 70,876	\$ -	\$ 68,700	\$ 718,178	\$ 151,750	\$ 1,788	\$ 1,011,292
LIABILITIES							
Accrued expenses	\$ -	\$ -	\$ -	\$ 30,342	\$ -	\$ -	\$ 30,342
Due to other funds	5,184	156,426	-	22,087	-	-	183,697
Total Liabilities	5,184	156,426	-	52,429	-	-	214,039
Deferred Inflows of Resources	-	-	-	18,130	-	-	18,130
FUND BALANCE (DEFICIT)							
Unassigned	65,692	(156,426)	68,700	647,619	151,750	1,788	779,123
Total Fund Balance (Deficit)	65,692	(156,426)	68,700	647,619	151,750	1,788	779,123
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCE	\$ 70,876	\$ -	\$ 68,700	\$ 718,178	\$ 151,750	\$ 1,788	\$ 1,011,292

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2016

	County	Regional Programs	Interest	Alternative Schools	Apex	Online Clearing	TOTALS
REVENUES							
Local sources	\$ 224,073	\$ 11,485	\$ 1,767	\$ 123,841	\$ 51,440	\$ 102	\$ 412,708
State sources	-	-	-	342,824	-	-	342,824
On-behalf payments - State	-	279,976	-	-	-	-	279,976
Federal sources	-	-	-	16,922	-	-	16,922
Total Revenues	<u>224,073</u>	<u>291,461</u>	<u>1,767</u>	<u>483,587</u>	<u>51,440</u>	<u>102</u>	<u>1,052,430</u>
EXPENDITURES							
Salaries and benefits	172,949	88,967	-	418,378	12,414	-	692,708
Pension expense	-	5,147	-	-	1,454	-	6,601
Purchased services	43,349	48,840	-	99,528	15,851	847	208,415
Supplies and materials	2,182	15,997	-	41,820	546	-	60,545
Other objects	-	4,571	-	125	1,430	-	6,126
Capital outlay	949	1,850	-	10,487	-	-	13,286
On-behalf payments	-	279,976	-	-	-	-	279,976
Total Expenditures	<u>219,429</u>	<u>445,348</u>	<u>-</u>	<u>570,338</u>	<u>31,695</u>	<u>847</u>	<u>1,267,657</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,644</u>	<u>(153,887)</u>	<u>1,767</u>	<u>(86,751)</u>	<u>19,745</u>	<u>(745)</u>	<u>(215,227)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	60,970	-	212,588	-	1,600	275,158
Transfers out	(289)	-	(1,617)	-	-	-	(1,906)
Total Other Financing Sources (Uses)	<u>(289)</u>	<u>60,970</u>	<u>(1,617)</u>	<u>212,588</u>	<u>-</u>	<u>1,600</u>	<u>273,252</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	4,355	(92,917)	150	125,837	19,745	855	58,025
FUND BALANCE (DEFICIT) - BEGINNING Restated (See Note 14)	<u>61,337</u>	<u>(63,509)</u>	<u>68,550</u>	<u>521,782</u>	<u>132,005</u>	<u>933</u>	<u>721,098</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ 65,692</u>	<u>\$ (156,426)</u>	<u>\$ 68,700</u>	<u>\$ 647,619</u>	<u>\$ 151,750</u>	<u>\$ 1,788</u>	<u>\$ 779,123</u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2016

	Adult Learning Resource Center	Child and Family Connections	Early Childhood Grant (3705-00)	Early Childhood Block Grant (3705-01)	Family Literacy
ASSETS					
Cash and cash equivalents	\$ 6,145	\$ 10,300	\$ -	\$ -	\$ -
Due from other governments:					
State	-	78,281	30,987	53,421	-
Federal	-	-	-	-	-
TOTAL ASSETS	\$ 6,145	\$ 88,581	\$ 30,987	\$ 53,421	\$ -
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 990	\$ -
Accrued expenses	-	-	23,578	-	-
Due to other funds	-	78,281	7,409	52,431	-
Due to other governments:					
Federal	6,145	-	-	-	-
Unearned revenue	-	10,300	-	-	-
Total Liabilities	6,145	88,581	30,987	53,421	-
FUND BALANCE					
Restricted	-	-	-	-	-
Total Fund Balance	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 6,145	\$ 88,581	\$ 30,987	\$ 53,421	\$ -

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2016

	<u>Family Violence</u>	<u>Hearing/Vision Screening</u>	<u>Local Donations</u>	<u>McKinney Education for Homeless Children</u>	<u>New Principal Mentoring</u>
ASSETS					
Cash and cash equivalents	\$ 441	\$ 9,288	\$ 2,815	\$ 14,042	\$ 1,896
Due from other governments:					
State	-	-	-	-	-
Federal	-	-	-	83,384	-
TOTAL ASSETS	<u>\$ 441</u>	<u>\$ 9,288</u>	<u>\$ 2,815</u>	<u>\$ 97,426</u>	<u>\$ 1,896</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 18,950	\$ -
Accrued expenses	-	-	-	-	-
Due to other funds	-	-	-	64,434	-
Due to other governments:					
Federal	-	-	-	-	-
Unearned revenue	-	-	-	14,042	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,426</u>	<u>-</u>
FUND BALANCE					
Restricted	<u>441</u>	<u>9,288</u>	<u>2,815</u>	<u>-</u>	<u>1,896</u>
Total Fund Balance	<u>441</u>	<u>9,288</u>	<u>2,815</u>	<u>-</u>	<u>1,896</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 441</u>	<u>\$ 9,288</u>	<u>\$ 2,815</u>	<u>\$ 97,426</u>	<u>\$ 1,896</u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2016

	Regional Safe Schools	Regional Safe Schools Cooperative	Regional System Provider/ Federal System	ROE Technology Maintenance	School and Community Assistance Team
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 2,099	\$ 1,347	\$ 214
Due from other governments:					
State	6,985	1,814	-	-	-
Federal	-	-	-	-	-
TOTAL ASSETS	<u>\$ 6,985</u>	<u>\$ 1,814</u>	<u>\$ 2,099</u>	<u>\$ 1,347</u>	<u>\$ 214</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 2,099	\$ -	\$ -
Accrued expenses	-	-	-	-	-
Due to other funds	6,985	1,814	-	-	-
Due to other governments:					
Federal	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	<u>6,985</u>	<u>1,814</u>	<u>2,099</u>	<u>-</u>	<u>-</u>
FUND BALANCE					
Restricted	-	-	-	1,347	214
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,347</u>	<u>214</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6,985</u>	<u>\$ 1,814</u>	<u>\$ 2,099</u>	<u>\$ 1,347</u>	<u>\$ 214</u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2016

	STEM	Teen Court Donations	Teen Court Fines	Title I - Foundational Services	Title II - Teacher Leadership	Title II - Teacher Quality
ASSETS						
Cash and cash equivalents	\$ -	\$ 366	\$ 15,443	\$ -	\$ -	\$ -
Due from other governments:						
State	-	-	-	-	-	-
Federal	-	-	-	1,689	700	100
TOTAL ASSETS	\$ -	\$ 366	\$ 15,443	\$ 1,689	\$ 700	\$ 100
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-	-
Due to other funds	-	-	232	1,689	700	100
Due to other governments:						
Federal	-	-	-	-	-	-
Unearned revenue	-	-	15,211	-	-	-
Total Liabilities	-	-	15,443	1,689	700	100
FUND BALANCE						
Restricted	-	366	-	-	-	-
Total Fund Balance	-	366	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 366	\$ 15,443	\$ 1,689	\$ 700	\$ 100

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2016

	Title IV - Safe and Drug Free Formula	Truants Alternative Optional Education	Truants Alternative Optional Education Program Training	United Way	WC4 (ROE/ISC Operations)	TOTALS
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ 47,430	\$ 2,470	\$ -	\$ 114,296
Due from other governments:						
State	-	16,245	-	-	105,837	293,570
Federal	-	-	-	-	-	85,873
TOTAL ASSETS	\$ -	\$ 16,245	\$ 47,430	\$ 2,470	\$ 105,837	\$ 493,739
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 31,854	\$ 53,893
Accrued expenses	-	9,495	12,624	-	-	45,697
Due to other funds	-	6,750	-	232	73,983	295,040
Due to other governments:						
Federal	-	-	-	-	-	6,145
Unearned revenue	-	-	34,806	-	-	74,359
Total Liabilities	-	16,245	47,430	232	105,837	475,134
FUND BALANCE						
Restricted	-	-	-	2,238	-	18,605
Total Fund Balance	-	-	-	2,238	-	18,605
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 16,245	\$ 47,430	\$ 2,470	\$ 105,837	\$ 493,739

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2016

	Adult Learning Resource Center	Child and Family Connections	Early Childhood Grant (3705-00)	Early Childhood Block Grant (3705-01)	Family Literacy
REVENUES					
Local sources	\$ -	\$ -	\$ 1,276	\$ -	\$ -
State sources	-	443,827	381,987	320,521	-
Federal sources	-	38,973	-	-	-
Total Revenues	<u>-</u>	<u>482,800</u>	<u>383,263</u>	<u>320,521</u>	<u>-</u>
EXPENDITURES					
Salaries and benefits	-	390,816	267,726	205,638	-
Pension expense	-	-	23,053	28,470	-
Purchased services	-	67,554	13,179	62,753	-
Supplies and materials	-	4,382	26,339	19,229	-
Other objects	-	20,048	-	-	-
Capital outlay	-	-	1,548	4,431	-
Payments to other governments	-	-	54,051	-	-
Total Expenditures	<u>-</u>	<u>482,800</u>	<u>385,896</u>	<u>320,521</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(2,633)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	2,633	-	-
Transfers out	-	-	-	-	(737)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,633</u>	<u>-</u>	<u>(737)</u>
NET CHANGE IN FUND BALANCE	-	-	-	-	(737)
FUND BALANCE - BEGINNING, Restated (See Note 14)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>737</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2016

	Family Violence	Hearing/Vision Screening	Local Donations	McKinney Education for Homeless Children	New Principal Mentoring
REVENUES					
Local sources	\$ -	\$ 8,217	\$ -	\$ 2,951	\$ -
State sources	35	-	-	-	-
Federal sources	-	-	-	201,111	-
Total Revenues	<u>35</u>	<u>8,217</u>	<u>-</u>	<u>204,062</u>	<u>-</u>
EXPENDITURES					
Salaries and benefits	-	4,048	-	46,860	-
Pension expense	-	-	-	-	-
Purchased services	903	2,356	-	21,935	-
Supplies and materials	-	-	-	3,167	-
Other objects	-	-	-	-	-
Capital outlay	-	-	-	-	-
Payments to other governments	-	-	-	132,100	-
Total Expenditures	<u>903</u>	<u>6,404</u>	<u>-</u>	<u>204,062</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(868)</u>	<u>1,813</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(868)	1,813	-	-	-
FUND BALANCE - BEGINNING, Restated (See Note 14)	<u>1,309</u>	<u>7,475</u>	<u>2,815</u>	<u>-</u>	<u>1,896</u>
FUND BALANCE - ENDING	<u>\$ 441</u>	<u>\$ 9,288</u>	<u>\$ 2,815</u>	<u>\$ -</u>	<u>\$ 1,896</u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2016

	Regional Safe Schools	Regional Safe Schools Cooperative	Regional System Provider/ Federal System	ROE Technology Maintenance	School and Community Assistance Team
REVENUES					
Local sources	\$ -	\$ -	\$ 15,396	\$ -	\$ -
State sources	60,985	34,596	-	-	-
Federal sources	-	-	-	-	-
Total Revenues	<u>60,985</u>	<u>34,596</u>	<u>15,396</u>	<u>-</u>	<u>-</u>
EXPENDITURES					
Salaries and benefits	98,672	20,290	-	-	-
Pension expense	7,986	-	-	-	-
Purchased services	26,842	3,804	-	-	-
Supplies and materials	1,164	10,502	677	-	-
Other objects	-	-	-	-	-
Capital outlay	-	-	-	-	-
Payments to other governments	-	-	34,599	-	-
Total Expenditures	<u>134,664</u>	<u>34,596</u>	<u>35,276</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(73,679)</u>	<u>-</u>	<u>(19,880)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	394	-
Transfers out	<u>(217,255)</u>	<u>-</u>	<u>(27,787)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(217,255)</u>	<u>-</u>	<u>(27,787)</u>	<u>394</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(290,934)	-	(47,667)	394	-
FUND BALANCE - BEGINNING, Restated (See Note 14)	<u>290,934</u>	<u>-</u>	<u>47,667</u>	<u>953</u>	<u>214</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,347</u>	<u>\$ 214</u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2016

	STEM	Teen Court Donations	Teen Court Fines	Title I - Foundational Services	Title II - Teacher Leadership	Title II - Teacher Quality
REVENUES						
Local sources	\$ 4,000	\$ -	\$ 9,294	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	-	-	4,002	2,181	945
Total Revenues	<u>4,000</u>	<u>-</u>	<u>9,294</u>	<u>4,002</u>	<u>2,181</u>	<u>945</u>
EXPENDITURES						
Salaries and benefits	1,572	-	7,255	-	-	-
Pension expense	-	-	-	-	-	-
Purchased services	72	-	1,116	1,319	2,181	845
Supplies and materials	525	-	923	2,683	-	100
Other objects	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-
Total Expenditures	<u>2,169</u>	<u>-</u>	<u>9,294</u>	<u>4,002</u>	<u>2,181</u>	<u>945</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	<u>(1,831)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,831)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-	-	-	-
FUND BALANCE - BEGINNING, Restated (See Note 14)	<u>-</u>	<u>366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ -</u></u>	<u><u>\$ 366</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2016

	Title IV - Safe and Drug Free Formula	Truants Alternative Optional Education	Truants Alternative Optional Education Program Training	United Way	WC4 (ROE/ISC Operations)	TOTALS
REVENUES						
Local sources	\$ -	\$ -	\$ -	\$ 2,937	\$ -	\$ 44,071
State sources	-	100,555	127,474	-	105,837	1,575,817
Federal sources	-	-	-	-	-	247,212
Total Revenues	<u>-</u>	<u>100,555</u>	<u>127,474</u>	<u>2,937</u>	<u>105,837</u>	<u>1,867,100</u>
EXPENDITURES						
Salaries and benefits	-	75,595	102,306	518	64,809	1,286,105
Pension expense	-	6,022	3,500	87	1,322	70,440
Purchased services	-	18,576	21,668	1,062	9,305	255,470
Supplies and materials	-	362	-	-	-	70,053
Other objects	-	-	-	-	-	20,048
Capital outlay	-	-	-	-	-	5,979
Payments to other governments	-	-	-	-	30,401	251,151
Total Expenditures	<u>-</u>	<u>100,555</u>	<u>127,474</u>	<u>1,667</u>	<u>105,837</u>	<u>1,959,246</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,270</u>	<u>-</u>	<u>(92,146)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	3,027
Transfers out	<u>(632)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(248,242)</u>
Total Other Financing Sources (Uses)	<u>(632)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(245,215)</u>
NET CHANGE IN FUND BALANCE	(632)	-	-	1,270	-	(337,361)
FUND BALANCE - BEGINNING, Restated (See Note 14)	<u>632</u>	<u>-</u>	<u>-</u>	<u>968</u>	<u>-</u>	<u>355,966</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,238</u>	<u>\$ -</u>	<u>\$ 18,605</u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNT
 CHILD AND FAMILY CONNECTIONS
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 500,197	\$ 500,197	\$ 443,827
Federal sources	-	-	38,973
Total Revenue	<u>500,197</u>	<u>500,197</u>	<u>482,800</u>
EXPENDITURES			
Salaries and benefits	418,291	418,291	390,816
Purchased services	61,737	61,737	67,554
Supplies and materials	17,250	17,250	4,382
Other objects	-	-	20,048
Capital outlay	2,919	2,919	-
Total Expenditures	<u>500,197</u>	<u>500,197</u>	<u>482,800</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNT
 EARLY CHILDHOOD GRANT
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Local	\$ -	\$ -	\$ 1,276
State sources	381,987	381,987	381,987
Total Revenue	<u>381,987</u>	<u>381,987</u>	<u>383,263</u>
EXPENDITURES			
Salaries and benefits	288,957	288,957	267,726
Pension expense	-	-	23,053
Purchased services	14,556	14,556	13,179
Supplies and materials	23,474	23,474	26,339
Capital outlay	2,000	2,000	1,548
Payments to other governments	53,000	53,000	54,051
Total Expenditures	<u>381,987</u>	<u>381,987</u>	<u>385,896</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES			
	<u>-</u>	<u>-</u>	<u>(2,633)</u>
OTHER FINANCING SOURCES			
Transfer in	-	-	2,633
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>2,633</u>
NET CHANGE IN FUND BALANCE			
	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING			
	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNT
 EARLY CHILDHOOD BLOCK GRANT
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amount
	Original	Final	
REVENUE			
State sources	\$ 320,521	\$ 320,521	\$ 320,521
Total Revenue	<u>320,521</u>	<u>320,521</u>	<u>320,521</u>
EXPENDITURES			
Salaries and benefits	239,823	234,258	205,638
Pension expense	-	-	28,470
Purchased services	64,698	64,663	62,753
Supplies and materials	16,000	17,300	19,229
Capital outlay	-	4,300	4,431
Total Expenditures	<u>320,521</u>	<u>320,521</u>	<u>320,521</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNT
 MCKINNEY EDUCATION FOR HOMELESS CHILDREN
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Local	\$ -	\$ -	\$ 2,951
Federal sources	207,020	241,602	201,111
Total Revenue	<u>207,020</u>	<u>241,602</u>	<u>204,062</u>
EXPENDITURES			
Salaries and benefits	30,420	37,498	46,860
Purchased services	13,855	20,642	21,935
Supplies and materials	7,480	7,544	3,167
Capital outlay	-	1,253	-
Payments to other governments	155,265	174,665	132,100
Total Expenditures	<u>207,020</u>	<u>241,602</u>	<u>204,062</u>
 NET CHANGE IN FUND BALANCE	 -	 -	 -
 FUND BALANCE (DEFICIT) - BEGINNING	 <u>-</u>	 <u>-</u>	 <u>-</u>
 FUND BALANCE (DEFICIT) - ENDING	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNT
 REGIONAL SAFE SCHOOLS
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 60,985	\$ 60,985	\$ 60,985
Total Revenue	<u>60,985</u>	<u>60,985</u>	<u>60,985</u>
EXPENDITURES			
Salaries and benefits	60,985	60,985	98,672
Pension expense	-	-	7,986
Purchased services	-	-	26,842
Supplies and materials	-	-	1,164
Total Expenditures	<u>60,985</u>	<u>60,985</u>	<u>134,664</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES			
	<u>-</u>	<u>-</u>	<u>(73,679)</u>
OTHER FINANCING USES:			
Transfer out	-	-	(217,255)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>(217,255)</u>
NET CHANGE IN FUND BALANCE			
	-	-	(290,934)
FUND BALANCE (DEFICIT) - BEGINNING			
Restated (See Note 14)	<u>-</u>	<u>-</u>	<u>290,934</u>
FUND BALANCE (DEFICIT) - ENDING			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNT
 REGIONAL SAFE SCHOOLS COOPERATIVE
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 37,042	\$ 37,042	\$ 34,596
Total Revenue	<u>37,042</u>	<u>37,042</u>	<u>34,596</u>
EXPENDITURES			
Salaries and benefits	22,937	20,290	20,290
Purchased services	4,870	4,605	3,804
Supplies and materials	9,235	12,147	10,502
Total Expenditures	<u>37,042</u>	<u>37,042</u>	<u>34,596</u>
 NET CHANGE IN FUND BALANCE	 -	 -	 -
 FUND BALANCE (DEFICIT) - BEGINNING	 <u>-</u>	 <u>-</u>	 <u>-</u>
 FUND BALANCE (DEFICIT) - ENDING	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

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

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNT
 TITLE II - TEACHER LEADERSHIP
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 2,181	\$ 2,181	\$ 2,181
Total Revenue	<u>2,181</u>	<u>2,181</u>	<u>2,181</u>
EXPENDITURES			
Purchased services	2,181	2,181	2,181
Total Expenditures	<u>2,181</u>	<u>2,181</u>	<u>2,181</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNT
 TITLE II - TEACHER QUALITY
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 610	\$ 945	\$ 945
Total Revenue	<u>610</u>	<u>945</u>	<u>945</u>
EXPENDITURES			
Purchased services	510	845	845
Supplies and materials	100	100	100
Total Expenditures	<u>610</u>	<u>945</u>	<u>945</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNT
 TRUANTS ALTERNATIVE OPTIONAL EDUCATION
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 100,555	\$ 100,555	\$ 100,555
Total Revenue	<u>100,555</u>	<u>100,555</u>	<u>100,555</u>
EXPENDITURES			
Salaries and benefits	80,841	80,841	75,595
Pension expense	-	-	6,022
Purchased services	19,264	19,264	18,576
Supplies and materials	450	450	362
Total Expenditures	<u>100,555</u>	<u>100,555</u>	<u>100,555</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNT
 TRUANTS ALTERNATIVE OPTIONAL EDUCATION PROGRAM TRAINING
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 202,850	\$ 202,850	\$ 127,474
Total Revenue	<u>202,850</u>	<u>202,850</u>	<u>127,474</u>
EXPENDITURES			
Salaries and benefits	109,049	109,049	102,306
Pension expense	-	-	3,500
Purchased services	93,301	93,301	21,668
Supplies and materials	500	500	-
Total Expenditures	<u>202,850</u>	<u>202,850</u>	<u>127,474</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Revenues and expenditures are less than budgeted amounts because the grant ran from July 6, 2015, through August 31, 2016; only part of the grant was received and expended in the current fiscal year.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNT
 WC4 (ROE/ISC OPERATIONS)
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 105,732	\$ 71,449	\$ 105,837
Total Revenue	<u>105,732</u>	<u>71,449</u>	<u>105,837</u>
EXPENDITURES			
Salaries and benefits	72,970	52,369	64,809
Pension expense	-	-	1,322
Purchased services	32,762	19,080	9,305
Payments to other governments	-	-	30,401
Total Expenditures	<u>105,732</u>	<u>71,449</u>	<u>105,837</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

A budget for \$105,732 was approved in July 2015; however, after the Regional Office expended all the budgeted grant funds, ISBE notified the Regional Office that there had been an error and the Regional Office was only eligible for a grant of \$71,449. After pleading the Regional Office's position to ISBE, the Regional Office was granted a 'revision' to their grant of an additional \$34,388 for a total of \$105,837. Because the 'revision' was handled by ISBE, the Regional Office was not required to submit a revised FY16 budget.

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2016

	<u>General Education Development</u>	<u>Bus Driver Training</u>	<u>Institute</u>	<u>TOTALS</u>
ASSETS				
Cash and cash equivalents	\$ 15,868	\$ 23,371	\$ 125,684	\$ 164,923
Due from other governments - State	-	1,508	-	1,508
TOTAL ASSETS	<u>\$ 15,868</u>	<u>\$ 24,879</u>	<u>\$ 125,684</u>	<u>\$ 166,431</u>
LIABILITIES				
Accounts payable	\$ -	\$ 930	\$ -	\$ 930
Due to other funds	232	-	-	232
Total Liabilities	<u>232</u>	<u>930</u>	<u>-</u>	<u>1,162</u>
FUND BALANCE (DEFICIT)				
Restricted	15,636	23,949	125,684	165,269
Total Fund Balance (Deficit)	<u>15,636</u>	<u>23,949</u>	<u>125,684</u>	<u>165,269</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ 15,868</u>	<u>\$ 24,879</u>	<u>\$ 125,684</u>	<u>\$ 166,431</u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	General Education Development	Bus Driver Training	Institute	TOTALS
REVENUES				
Local sources	\$ 1,951	\$ 3,762	\$ 32,050	\$ 37,763
State sources	-	1,508	-	1,508
Investment earnings	-	-	95	95
Total Revenues	<u>1,951</u>	<u>5,270</u>	<u>32,145</u>	<u>39,366</u>
EXPENDITURES				
Salaries and benefits	-	-	6,909	6,909
Pension expense	-	-	1,153	1,153
Purchased services	1,548	2,859	17,307	21,714
Supplies and materials	379	300	-	679
Other objects	-	-	36	36
Total Expenditures	<u>1,927</u>	<u>3,159</u>	<u>25,405</u>	<u>30,491</u>
NET CHANGE IN FUND BALANCE	24	2,111	6,740	8,875
FUND BALANCE (DEFICIT) - BEGINNING, Restated (See Note 14)	<u>15,612</u>	<u>21,838</u>	<u>118,944</u>	<u>156,394</u>
FUND BALANCE (DEFICIT) - ENDING	<u><u>\$ 15,636</u></u>	<u><u>\$ 23,949</u></u>	<u><u>\$ 125,684</u></u>	<u><u>\$ 165,269</u></u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		TOTALS
	Workshop Fund	Fingerprinting Fund	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 38,248	\$ 38,248
Total current assets	-	38,248	38,248
Noncurrent assets:			
Capital assets, being depreciated, net	374	-	374
TOTAL ASSETS	374	38,248	38,622
NET POSITION			
Invested in capital assets	374	-	374
Unrestricted	-	38,248	38,248
TOTAL NET POSITION	\$ 374	\$ 38,248	\$ 38,622

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities Enterprise Funds		TOTALS
	Workshop Fund	Fingerprinting Fund	
OPERATING REVENUES			
Fees for services	\$ -	\$ 54,174	\$ 54,174
Total Operating Revenues	<u>-</u>	<u>54,174</u>	<u>54,174</u>
OPERATING EXPENSES			
Purchased services	-	34,477	34,477
Depreciation	279	525	804
Total Operating Expenses	<u>279</u>	<u>35,002</u>	<u>35,281</u>
OPERATING INCOME (LOSS)	(279)	19,172	18,893
NONOPERATING EXPENSE			
Transfer out	(394)	(27,643)	(28,037)
Total Nonoperating Expense	<u>(394)</u>	<u>(27,643)</u>	<u>(28,037)</u>
CHANGE IN NET POSITION	(673)	(8,471)	(9,144)
TOTAL NET POSITION - BEGINNING (Restated, See Note 14)	<u>1,047</u>	<u>46,719</u>	<u>47,766</u>
TOTAL NET POSITION - ENDING	<u>\$ 374</u>	<u>\$ 38,248</u>	<u>\$ 38,622</u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		
	Workshop Fund	Fingerprinting Fund	TOTALS
Cash Flows from Operating Activities:			
Receipts from customers	\$ -	\$ 54,354	\$ 54,354
Payments to suppliers and providers of goods and services	-	(36,539)	(36,539)
Net Cash Provided by Operating Activities	<u>-</u>	<u>17,815</u>	<u>17,815</u>
Cash Flows from Noncapital Financing Activities:			
Payments for interfund borrowing, net	(394)	(27,643)	(28,037)
Net Cash Used for Noncapital Financing Activities	<u>(394)</u>	<u>(27,643)</u>	<u>(28,037)</u>
Net Decrease in Cash and Cash Equivalents	(394)	(9,828)	(10,222)
Cash and cash equivalents - Beginning, Restated (See Note 14)	<u>394</u>	<u>48,076</u>	<u>48,470</u>
Cash and cash equivalents - Ending	<u>\$ -</u>	<u>\$ 38,248</u>	<u>\$ 38,248</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ (279)	\$ 19,172	\$ 18,893
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	279	525	804
(Increase)/decrease in assets:			
Decrease in accounts receivable	-	180	180
Increase/(decrease) in liabilities:			
Decrease in accounts payable	-	(2,062)	(2,062)
Net Cash Provided by Operating Activities	<u>\$ -</u>	<u>\$ 17,815</u>	<u>\$ 17,815</u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 AGENCY FUNDS
 JUNE 30, 2016

	Administrators Roundtable	Area III Superintendents	Hancock County Principals	Regional Board of School Trustees
ASSETS				
Cash and cash equivalents	\$ 10,985	\$ 7,085	\$ 3,512	\$ 1,773
Due from other governments	-	-	-	-
TOTAL ASSETS	\$ 10,985	\$ 7,085	\$ 3,512	\$ 1,773
LIABILITIES				
Due to other governments	\$ 10,985	\$ 7,085	\$ 3,512	\$ 1,773
TOTAL LIABILITIES	\$ 10,985	\$ 7,085	\$ 3,512	\$ 1,773

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 AGENCY FUNDS
 JUNE 30, 2016

	School Occupation Facility Tax	Western Area Career System	Distributive Fund	TOTALS
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 81	\$ 23,436
Due from other governments	-	379	1,641,914	1,642,293
TOTAL ASSETS	\$ -	\$ 379	\$ 1,641,995	\$ 1,665,729
LIABILITIES				
Due to other governments	\$ -	\$ 379	\$ 1,641,995	\$ 1,665,729
TOTAL LIABILITIES	\$ -	\$ 379	\$ 1,641,995	\$ 1,665,729

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
 REGIONAL OFFICE OF EDUCATION #26
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>ADMINISTRATORS ROUNDTABLE</u>				
ASSETS				
Cash and cash equivalents	\$ 11,333	\$ 2,005	\$ 2,353	\$ 10,985
Total Assets	<u>\$ 11,333</u>	<u>\$ 2,005</u>	<u>\$ 2,353</u>	<u>\$ 10,985</u>
LIABILITIES				
Due to other governments	\$ 11,333	\$ 2,005	\$ 2,353	\$ 10,985
Total Liabilities	<u>\$ 11,333</u>	<u>\$ 2,005</u>	<u>\$ 2,353</u>	<u>\$ 10,985</u>
<u>AREA III SUPERINTENDENTS</u>				
ASSETS				
Cash and cash equivalents	\$ 7,713	\$ 1,750	\$ 2,378	\$ 7,085
Total Assets	<u>\$ 7,713</u>	<u>\$ 1,750</u>	<u>\$ 2,378</u>	<u>\$ 7,085</u>
LIABILITIES				
Due to other governments	\$ 7,713	\$ 1,750	\$ 2,378	\$ 7,085
Total Liabilities	<u>\$ 7,713</u>	<u>\$ 1,750</u>	<u>\$ 2,378</u>	<u>\$ 7,085</u>
<u>HANCOCK COUNTY PRINCIPALS</u>				
ASSETS				
Cash and cash equivalents	\$ 3,721	\$ 1,655	\$ 1,864	\$ 3,512
Total Assets	<u>\$ 3,721</u>	<u>\$ 1,655</u>	<u>\$ 1,864</u>	<u>\$ 3,512</u>
LIABILITIES				
Due to other governments	\$ 3,721	\$ 1,655	\$ 1,864	\$ 3,512
Total Liabilities	<u>\$ 3,721</u>	<u>\$ 1,655</u>	<u>\$ 1,864</u>	<u>\$ 3,512</u>
<u>REGIONAL BOARD OF SCHOOL TRUSTEES</u>				
ASSETS				
Cash and cash equivalents	\$ 1,773	\$ -	\$ -	\$ 1,773
Total Assets	<u>\$ 1,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,773</u>
LIABILITIES				
Due to other governments	\$ 1,773	\$ -	\$ -	\$ 1,773
Total Liabilities	<u>\$ 1,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,773</u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>SCHOOL OCCUPATION FACILITY TAX</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 2,407,681	\$ 2,407,681	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 2,407,681</u>	<u>\$ 2,407,681</u>	<u>\$ -</u>
LIABILITIES				
Due to other governments	\$ -	\$ 2,407,681	\$ 2,407,681	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 2,407,681</u>	<u>\$ 2,407,681</u>	<u>\$ -</u>
 <u>WESTERN AREA CAREER SYSTEM</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 37,873	\$ 37,873	\$ -
Due from other governments	8	379	8	379
Total Assets	<u>\$ 8</u>	<u>\$ 38,252</u>	<u>\$ 37,881</u>	<u>\$ 379</u>
LIABILITIES				
Due to other governments	\$ 8	\$ 38,252	\$ 37,881	\$ 379
Total Liabilities	<u>\$ 8</u>	<u>\$ 38,252</u>	<u>\$ 37,881</u>	<u>\$ 379</u>
 <u>DISTRIBUTIVE FUND</u>				
ASSETS				
Cash and cash equivalents	\$ 243	\$ 5,751,284	\$ 5,751,446	\$ 81
Due from other governments	1,323,302	1,641,914	1,323,302	1,641,914
Total Assets	<u>\$ 1,323,545</u>	<u>\$ 7,393,198</u>	<u>\$ 7,074,748</u>	<u>\$ 1,641,995</u>
LIABILITIES				
Due to other governments	\$ 1,323,545	\$ 7,393,198	\$ 7,074,748	\$ 1,641,995
Total Liabilities	<u>\$ 1,323,545</u>	<u>\$ 7,393,198</u>	<u>\$ 7,074,748</u>	<u>\$ 1,641,995</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 24,783	\$ 5,794,567	\$ 5,795,914	\$ 23,436
Due from other governments	1,323,310	1,642,293	1,323,310	1,642,293
Total Assets	<u>\$ 1,348,093</u>	<u>\$ 7,436,860</u>	<u>\$ 7,119,224</u>	<u>\$ 1,665,729</u>
LIABILITIES				
Due to other governments	\$ 1,348,093	\$ 7,436,860	\$ 7,119,224	\$ 1,665,729
Total Liabilities	<u>\$ 1,348,093</u>	<u>\$ 7,436,860</u>	<u>\$ 7,119,224</u>	<u>\$ 1,665,729</u>

FULTON/HANCOCK/MCDONOUGH/SCHUYLER COUNTIES
REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF DISBURSEMENTS TO OTHER ENTITIES
DISTRIBUTIVE FUND
FOR THE YEAR ENDED JUNE 30, 2016

DISTRIBUTIONS	Acct. No.	Western Area Career System	West Central Illinois Special Ed	Regional Office of Education #26	TOTAL
State Funds					
General State Aid - Sec. 18-8	3001	\$ -	\$ -	\$ 327,806	\$ 327,806
General State Aid - Loss Limit Grants	3002	-	-	14,968	14,968
Sp. Ed. - Personnel	3110	-	665,515	-	665,515
Career & Technical Ed Improvement (CTEI)	3220	452,260	-	-	452,260
State Free Lunch & Breakfast	3360	-	389	293	682
ROE School Bus Driver Training	3520	-	-	1,508	1,508
Truants Alternative/Optional Ed.	3695	-	-	303,405	303,405
Regional Safe Schools	3696	-	-	60,985	60,985
Early Childhood - Block Grant	3705	-	-	702,508	702,508
ROE/ISC Operations	3730	-	-	105,837	105,837
Other State Programs	3999	-	-	37,042	37,042
Total State Funds		<u>452,260</u>	<u>665,904</u>	<u>1,554,352</u>	<u>2,672,516</u>
Federal Funds					
National School Lunch Program	4210	-	29,039	5,678	34,717
School Breakfast Program	4220	-	17,193	802	17,995
Fed. - Sp. Ed. - Pre-School Flow Through	4600	-	141,601	-	141,601
Fed. - Sp. Ed. - I.D.E.A. Flow Through	4620	-	2,525,524	-	2,525,524
CTE-Perkins Secondary	4745	124,089	-	-	124,089
McKinney Education for Homeless Children	4920	-	-	231,878	231,878
Title II - Teacher Quality	4932	-	-	945	945
Title II - Teacher Quality - Leadership	4935	-	-	2,181	2,181
Total Federal Funds		<u>124,089</u>	<u>2,713,357</u>	<u>241,484</u>	<u>3,078,930</u>
TOTAL DISTRIBUTIONS		<u>\$ 576,349</u>	<u>\$ 3,379,261</u>	<u>\$ 1,795,836</u>	<u>\$ 5,751,446</u>