

State of Illinois  
REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI,  
AND UNION COUNTIES

FINANCIAL AUDIT  
FOR THE YEAR ENDED JUNE 30, 2015

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

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES  
FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION  
For the Year Ended June 30, 2015

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REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

For the Year Ended June 30, 2015

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REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

OFFICIALS

For the Year Ended June 30, 2015

Regional Superintendent  
(During the Audit Period)

Ms. Janet Ulrich

Assistant Regional Superintendent  
(During the Audit Period)

Ms. Terri Parmly

Office is located at:

17 Rustic Campus Drive  
Ullin, Illinois 62992

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

FINANCIAL REPORT SUMMARY

For the Year Ended June 30, 2015

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

AUDITORS' REPORT

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	0	0
Repeated audit findings	0	0
Prior recommendations implemented or not repeated	0	1

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*)

None noted.

PRIOR FINDINGS NOT REPEATED (*GOVERNMENT AUDITING STANDARDS*)

None.

EXIT CONFERENCE

No formal exit conference was held since there were no findings to discuss. An informal exit conference was held on May 29, 2015, to discuss items that will be needed by the auditors prior to the closure of the of Alexander, Jackson, Massac, Pulaski, and Union Counties Regional Office of Education #2. Attending were Janet Ulrich, Regional Superintendent, and Matthew Clarkson, Manager, Doehring, Winders & Co. LLP.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

FINANCIAL STATEMENT REPORT SUMMARY

For the Year Ended June 30, 2015

The audit of the accompanying basic financial statements of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2 was performed by Doehring, Winders & Co. LLP.

Based on their audit, the auditors expressed an unmodified opinion on the Regional Office of Education #2's basic financial statements.

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

INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

**Report on the Financial Statements**

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2 as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2'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.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

As discussed in Note 13, the Regional Office of Education #2 disbanded effective July 1, 2015. As discussed in Note 1 to the financial statements, in the year ended June 30, 2015, the Regional Office of Education #2 implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* which caused a material change in comparability to prior year financial statements. Our opinion is 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 Schedule of the Employer's Proportionate Share of the Net Pension Liability -Teacher's Retirement System of the State of Illinois, Schedule of Employer Contributions -Teacher's Retirement System of the State of Illinois, Schedule of Employer Contributions - Illinois Municipal Retirement Fund, and Schedule of Changes in the Net Pension Liability and Related Ratios - Illinois Municipal Retirement Fund on pages 47 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's basic financial statements. The combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and the Schedule of Disbursements to School District Treasurers and Other Entities 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 School District Treasurers and Other Entities 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 School District Treasurers and Other Entities 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 March 10, 2016, on our consideration of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2'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 Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control over financial reporting and compliance.

*Doehring, Winters & Co. LLP*

Mattoon, Illinois  
March 10, 2016

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

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

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's basic financial statements, and have issued our report thereon dated March 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2'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 Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control. Accordingly, we do not express an opinion on the effectiveness of Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2'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*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Alexander, Johnson, Massac, Pulaski, and Union Counties Regional Office of Education #2's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Doehring, Winders & Co. LLP*

Mattoon, Illinois  
March 10, 2016

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2015

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2015

**Section II - Financial Statement Findings**

There were no audit findings for the year ended June 30, 2015.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2015

**Finding Number**

**Condition**

**Current Status**

There were no audit findings reported for the year ended June 30, 2014.

## BASIC FINANCIAL STATEMENTS

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF NET POSITION

June 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,939	\$ -	\$ 5,939
Total current assets	<u>5,939</u>	<u>-</u>	<u>5,939</u>
Noncurrent assets:			
Capital assets, net of depreciation	25,326	-	25,326
Net pension asset	49,777	-	49,777
Total noncurrent assets	<u>75,103</u>	<u>-</u>	<u>75,103</u>
Total assets	<u>81,042</u>	<u>-</u>	<u>81,042</u>
Deferred outflows of Resources			
Deferred outflows related to pensions	<u>157,595</u>	<u>-</u>	<u>157,595</u>
Liabilities			
Noncurrent liabilities:			
Net pension liability	108,349	-	108,349
Total noncurrent liabilities	<u>108,349</u>	<u>-</u>	<u>108,349</u>
Total liabilities	<u>108,349</u>	<u>-</u>	<u>108,349</u>
Deferred inflows of resources			
Deferred inflows related to pensions	<u>359,289</u>	<u>-</u>	<u>359,289</u>
Net position			
Investment in capital assets	25,326	-	25,326
Retricted - other	4,930	-	4,930
Restricted - net pension asset	49,777	-	49,777
Unrestricted	<u>(309,034)</u>	<u>-</u>	<u>(309,034)</u>
Total net position	<u>\$ (229,001)</u>	<u>\$ -</u>	<u>\$ (229,001)</u>

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

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instructional Services:						
Salaries and benefits	\$ 479,158	\$ 10,172	\$ 153,503	\$ (315,483)	\$ -	\$ (315,483)
Purchased services	298,925	2,704	14,831	(281,390)	-	(281,390)
Supplies and materials	56,094	-	4,259	(51,835)	-	(51,835)
Payments to other governments	1,308,494	-	-	(1,308,494)	-	(1,308,494)
Pension expense	(6,756)	-	-	6,756	-	6,756
Depreciation	5,787	-	5,363	(424)	-	(424)
Administrative:						
On-behalf payments - state	334,829	-	-	(334,829)	-	(334,829)
Total governmental activities	<u>2,476,531</u>	<u>12,876</u>	<u>177,956</u>	<u>(2,285,699)</u>	<u>-</u>	<u>(2,285,699)</u>
Business-type activities						
Fees for services	45	1,600	-	-	1,555	1,555
Total business-type activities	<u>45</u>	<u>1,600</u>	<u>-</u>	<u>-</u>	<u>1,555</u>	<u>1,555</u>
Total primary government	<u>\$ 2,476,576</u>	<u>\$ 14,476</u>	<u>\$ 177,956</u>	<u>(2,285,699)</u>	<u>1,555</u>	<u>(2,284,144)</u>
General Revenues:						
Local sources				26,370	-	26,370
State sources				94,305	-	94,305
On-behalf payments				334,829	-	334,829
Loss on disposal of capital assets				(4,589)	-	(4,589)
Interest				5,125	-	5,125
Transfers				(2,509)	2,509	-
Total general revenues and transfers				<u>453,531</u>	<u>2,509</u>	<u>456,040</u>
Change in net position				(1,832,168)	4,064	(1,828,104)
Net position - beginning (restated) - see Note 14				<u>1,603,167</u>	<u>(4,064)</u>	<u>1,599,103</u>
Net position - ending				<u>\$ (229,001)</u>	<u>\$ -</u>	<u>\$ (229,001)</u>

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

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Education Fund	Institute	Other Non-Major Funds	Eliminations	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 1,009	\$ -	\$ 4,930	\$ -	\$ -	\$ 5,939
Total assets	<u>\$ 1,009</u>	<u>\$ -</u>	<u>\$ 4,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,939</u>
Fund balance:						
Restricted	\$ -	\$ -	\$ 4,930	\$ -	\$ -	\$ 4,930
Assigned	1,009	-	-	-	-	1,009
Total fund balance	<u>1,009</u>	<u>-</u>	<u>4,930</u>	<u>-</u>	<u>-</u>	<u>5,939</u>
Total liabilities, deferred inflows, and fund balance	<u><u>\$ 1,009</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,930</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,939</u></u>

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

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

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

June 30, 2015

Total Fund balances - governmental funds		\$	5,939
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			25,326
Noncurrent assets related to pension benefits are collected but not payable in the current period and therefore, are not reported in the funds			
Net pension asset			49,777
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the governmental funds as follows:			
Deferred outflows of resources		\$	157,595
Deferred inflows of resources		<u>(359,289)</u>	(201,694)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
Net pension liability			<u>(108,349)</u>
Net position of governmental activities		\$	<u>(229,001)</u>

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

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

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

For the Year Ended June 30, 2015

	General Fund	Education Fund	Institute	Other Nonmajor Funds	Eliminations	Total Governmental Funds
<b>Revenues:</b>						
Local sources	\$ 28,270	\$ 10,936	\$ 11,570	\$ 456	\$ -	\$ 51,232
State sources	94,305	131,731	-	850	-	226,886
State sources- payments made on behalf of region	243,522	-	-	-	-	243,522
Federal sources	-	68,056	-	-	-	68,056
<b>Total revenues</b>	<b>366,097</b>	<b>210,723</b>	<b>11,570</b>	<b>1,306</b>	<b>-</b>	<b>589,696</b>
<b>Expenditures:</b>						
Instructional services						
Salaries and benefits	303,668	161,110	16,531	5,201	-	486,510
Purchased services	279,285	14,856	4,734	50	-	298,925
Supplies and materials	51,828	4,266	-	-	-	56,094
Payments to other governments	1,308,494	-	-	-	-	1,308,494
Pension expense	117,540	13,932	2,252	581	-	134,305
Payments made on behalf of region	243,522	-	-	-	-	243,522
<b>Total expenditures</b>	<b>2,304,337</b>	<b>194,164</b>	<b>23,517</b>	<b>5,832</b>	<b>-</b>	<b>2,527,850</b>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,938,240)</u>	<u>16,559</u>	<u>(11,947)</u>	<u>(4,526)</u>	<u>-</u>	<u>(1,938,154)</u>
<b>Other financing sources (uses):</b>						
Transfers in	86,045	3,371	2,304	6,358	(98,078)	-
Transfers out	(100,587)	-	-	-	98,078	(2,509)
Interest	5,042	66	13	4	-	5,125
<b>Total other financing sources (uses)</b>	<b>(9,500)</b>	<b>3,437</b>	<b>2,317</b>	<b>6,362</b>	<b>-</b>	<b>2,616</b>
<b>Net change in fund balances</b>	<b>(1,947,740)</b>	<b>19,996</b>	<b>(9,630)</b>	<b>1,836</b>	<b>-</b>	<b>(1,935,538)</b>
Fund balances (deficit) - beginning	<u>1,948,749</u>	<u>(19,996)</u>	<u>14,560</u>	<u>(1,836)</u>	<u>-</u>	<u>1,941,477</u>
Fund balances (deficit) - ending	<u>\$ 1,009</u>	<u>\$ -</u>	<u>\$ 4,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,939</u>

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

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2015

Net change in fund balances		\$ (1,935,538)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Some revenues will not be collected for several months after the Regional Office fiscal year ends, they are not considered "unavailable" revenues and are deferred inflows of resources in the governmental funds.</p>		
Prior year unavailable revenue		(34,667)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Depreciation	\$ (5,787)	
Loss on disposal of capital assets	<u>(4,589)</u>	(10,376)
<p>Certain expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Liability for compensated absences	\$ 7,352	
Net pension expense	<u>141,061</u>	<u>148,413</u>
Change in net position of governmental activities		\$ (1,832,168)

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

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF NET POSITION  
PROPRIETARY FUND

JUNE 30, 2015

	Business-Type Activities- Enterprise Funds
	Workshops Fund
Assets:	
Current assets:	
Due from other governments	\$ -
Total assets	-
Liabilities:	
Current liabilities:	
Due to other funds	-
Total liabilities	-
Net position:	
Unrestricted	-
Total net position	\$ -

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

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

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

For the Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds
	Workshops Fund
Operating revenues:	
Fee for services	\$ 1,600
Total operating revenues	1,600
Operating expenses:	
Supplies and materials	45
Total operating expenses	45
Operating income	1,555
Nonoperating revenue:	
Transfer in	2,509
Total nonoperating revenue	2,509
Change in net position	4,064
Net position - beginning	(4,064)
Net position - ending	\$ -

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

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND

For the Year Ended June 30, 2015

	Business-Type Activities- Enterprise Funds
	Workshops Fund
Cash flows from operating activities:	
Receipts from customers	\$ 2,150
Payments to suppliers and providers of goods and services	(45)
Net cash provided by operating activities	2,105
Cash flows from noncapital financing activities:	
Cash transfer from other funds	2,509
Payments for interfund borrowing, net	(4,614)
Net cash (used for) noncapital financing activities	(2,105)
Net increase in cash and cash equivalents	-
Cash and cash equivalents - beginning	-
Cash and cash equivalents - ending	\$ -
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income	\$ 1,555
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Decrease in due from other governments	550
Net cash provided by operating activities	\$ 2,105

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

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2015

	Agency Funds
Assets	
Cash and cash equivalents	\$ -
Due from other governments	-
Total Assets	<u>\$ -</u>
Liabilities	
Due to primary government	\$ -
Due to other governments	-
Total Liabilities	<u>\$ -</u>

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

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Regional Office of Education #2 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

This summary of significant accounting policies of the Regional Office of Education #2 is presented to assist in understanding the Regional Office of Education #2's financial statements. The financial statements and notes are representations of the Regional Office of Education #2's management who is responsible for the integrity and objectivity of the financial statements. The Illinois Administrative Code, Title 23 - Subtitle A, Chapter 1, Section 110.115a, requires each Regional Office of Education to prepare annual financial statements in conformity with accounting principles generally accepted in the United States of America. These principles have been consistently applied in the preparation of the financial statements.

FINANCIAL REPORTING ENTITY

The Regional Office operates under the School Code (Articles 5/3 and 5/3A of *Illinois Compiled Statutes*, Chapter 105). The Regional Office of Education #2 encompasses Alexander, Johnson, Massac, Pulaski, and Union Counties. The Regional Superintendent of Schools (Regional Superintendent) serves as chief administrative officer of the Regional Office of Education #2 and is elected pursuant to Article 3, *Illinois Compiled Statutes*, Chapter 105.

The Regional Superintendent is charged with responsibility for township fund lands; registration of the names of applicants for scholarships to State controlled universities; examinations and related duties; visitation of public schools; direction of teachers and school officers; to serve as the official advisor and assistant of school officers and teachers; to conduct teachers institutes as well as to aid and encourage the formation of other teachers' meetings and assist in their management; to evaluate the schools in the region; examine evidence of indebtedness; to file and keep the returns of elections required to be returned to the Regional Superintendent's office; and file and keep the reports and statements returned by school treasurers and trustees.

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #2's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

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

The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for the districts in the Regional Office of Education #2, or seeing that no payments are made unless the treasurer has filed or renewed appropriate bonds and that the district has certified publication of the annual financial report. The Regional Superintendent is required to provide opinions and advice related to controversies under school law.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

FINANCIAL REPORTING ENTITY (Continued)

For the period ended June 30, 2015, the Regional Office of Education #2 applied for, received, and administered several State and federal programs and grants in assistance and support of the educational activities of the school districts in Regional Office of Education #2. Such activities are reported as a single major special revenue fund (i.e. within the Education Fund).

SCOPE OF THE REPORTING ENTITY

The Regional Office of Education #2's reporting entity includes all related organizations for which they exercise oversight responsibility.

The Regional Office of Education #2 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the Regional Office of Education #2, 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 #2 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The districts and joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the Regional Office of Education #2 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education #2 is not aware of any entity, which would exercise such oversight as to result in the Regional Office of Education #2 being considered a component unit of the entity.

NEW ACCOUNTING PRONOUNCEMENTS

In 2015, the Regional Office of Education #2 implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*; GASB Statement No. 69, *Governmental Combinations and Disposals of Governmental Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The Regional Office of Education #2 implemented these standards during the current year. The implementation of GASB Statement No. 68 established new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position was expected to include a significant liability for the government's proportionate share of employee pension plan. The implementation of GASB Statement No. 71 resolves an issue related to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit plan after the measurement date of the government's beginning net pension liability.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Regional Office of Education #2's activities with most of the interfund activities removed. Governmental activities include programs supported primarily by State and federal grants and other intergovernmental revenues. The Regional Office of Education #2 has one business-type activity that relies on fees and charges for support.

The Regional Office of Education #2's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present a summary of governmental and business-type activities for the Regional Office of Education #2 accompanied by a total column. These statements are presented on an "economic resources" measurement focus as prescribed by GASB Statement No. 34. All of the Regional Office of Education #2's assets and deferred outflows of resources and liabilities and deferred inflows of resources, including capital assets, 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 governmental funds and proprietary funds are reported as separate columns in the fund financial statements.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, such as, payables, receivables and transfers. Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from other funds on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other financing sources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and business-type funds remain as due to/due from on the government-wide financial statements.

All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities. In the Statement of Activities, transactions between governmental and business-type activities have 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.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major 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 and the net position and changes in net position presented in the government-wide financial statements.

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

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

PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

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

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Regional Office of Education #2; therefore, revenues are considered to be earned to the extent of expenditures made under the provisions of the grant. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Under the terms of grant agreements, Regional Office of Education #2 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. It is Regional Office of Education #2's policy to first apply restricted funds to such programs, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned, if any.

FUND ACCOUNTING

The Regional Office of Education #2 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 #2 uses governmental, proprietary, and fiduciary funds.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the Regional Office of Education #2 are typically reported. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets and deferred outflows of resources are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as a fund balance.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GOVERNMENTAL FUNDS (Continued)

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

The Regional Office of Education #2 reports the following major governmental funds:

General Fund - The General Fund is used to account for resources traditionally associated with government which are not required, legally or by sound financial management, to be accounted and reported for in another fund. The General Fund is always considered a major fund. The following accounts are included in the General Fund:

General State Aid - This fund accounts for unrestricted funding used to support the Regional Safe Schools, Truants Alternative/ Optional Education, and Adult Education Programs.

Office Fund - This fund accounts for monies received from each of the five counties in the region for salaries, benefits, utilities, supplies, etc. of the Regional Office of Education #2.

Director's Fund - This fund accounts for the interest monies earned from the Distributive Fund which are used for the benefit of the Regional Office of Education #2 and its schools.

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

Education - 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 Education - General Revenue - This fund accounts for monies accumulated over 35+ years from varying sources in order to support all functions of the Regional Office of Education #2's adult education program.

Miscellaneous Grant Funds - This fund accounts for the revenue and expenditures of various federal, State, and local grant funds. For fiscal year 2015, revenues and expenditures related to the IASA Job Bank were reported in this fund.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GOVERNMENTAL FUNDS (Continued)

Regional Safe Schools - This fund provides instruction services and materials for safe school students referred to the Regional Office of Education #2 from local school districts.

Regional Office of Education/Intermediate Service Centers (ROE/ISC) Operations - This fund accounts for the grant monies received for and in payment of expenditures for assisting schools in all areas of school improvement.

Secretary of State Adult Volunteer Literacy - This fund provides volunteer tutoring services to individuals in the Regional Office of Education #2 area.

Service Fund - This fund accounts for local Masonic scholarship funds to provide scholarships to local high school graduates.

System of Support Title I - School Improvement and Accountability - This fund supports the improvement of basic programs operated by the Regional Office of Education #2 by providing professional development for data analysis, school improvement plan/development, standards-aligned curriculum/instruction, and classroom assessment to System of Support status schools on the Academic Early Warning and Watch.

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

Truants Alternative/Optional Education - This fund provides alternative educational program services to truant students referred from local schools to the Regional Office of Education #2.

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

The Regional Office of Education #2 reports the following nonmajor governmental funds:

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

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

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

PROPRIETARY FUND

Proprietary Fund- The Proprietary Fund accounts for revenues and expenses related to services provided to organizations inside the Regional Office of Education #2 on a cost reimbursement basis.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

PROPRIETARY FUND (Continued)

The Regional Office of Education #2 reports the following proprietary fund:

Workshops Fund - This fund accounts for the receipts and expenses pertaining to teacher meetings and workshops of a professional nature.

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to account for assets held by the Regional Office of Education #2 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:

Distributive Fund - This fund accounts for the proceeds apportioned to the Region that in turn distributes the proceeds to the member school districts.

GOVERNMENTAL FUND BALANCES

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

Nonspendable Fund Balance - the portion of a Governmental Fund's net position that are not available to be spent, either short term or long term in either form or through legal restrictions. The Regional Office of Education #2 has no nonspendable fund balances.

Restricted Fund Balance - the portion of a Governmental Fund's net position that are subject to external enforceable legal restrictions. The Regional Office of Education #2 has no fund balances restricted by grant agreements or contracts. The following fund balance is restricted by Illinois Statute: Institute.

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 #2 has no committed fund balances.

Assigned Fund Balance - the portion of a Governmental Fund's net position to denote an intended use of resources. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The following accounts' fund balances are assigned: General State Aid.

Unassigned Fund Balance - available expendable financial resources in a governmental fund that are not designated for a specific purpose. The Regional Office of Education #2 has no unassigned fund balances.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash on deposit. The Regional Office of Education #2 considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

INVENTORY

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

CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$500 or more and estimated useful lives of greater than two years are recorded at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Office Equipment and Furniture	5-10 years
Computer Equipment	3-5 years
Other Equipment	5-20 years

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

GASB Statement No. 65 reclassified as deferred outflows of resources or deferred inflows of resources certain items that were previously reported as assets and liabilities. Decreases in net position or fund balances that relate to future periods are reported as deferred outflows of resources. Increases in net position or fund balances that relate to future periods are reported as deferred inflows of resources. When an asset is recorded in the governmental fund financial statements but the revenue is not available, the Regional Office reports a deferred inflow of resources until such time as the revenue becomes available. *Available* means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are not available if they are received more than 60 days after the end of the fiscal year.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BUDGET INFORMATION

The Regional Office of Education #2 acts as the administrative agent for certain grant programs that are accounted for within the Education Fund. These 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 do so. Certain programs within the General Fund and the Special Revenue Funds do not have separate budgets. Comparisons of budgeted and actual results for the following programs are presented as supplementary information: Regional Safe Schools, ROE/ISC Operations, System of Support - Title I School Improvement and Accountability, Title II - Teacher Quality - Leadership Grant, and Truants Alternative/Optional Education.

**2 DEPOSITS AND INVESTMENTS**

The Illinois Compiled Statutes authorize the Regional Office of Education #2 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 Public Treasurer's Investment Pool.

DEPOSITS

At June 30, 2015, the carrying amount of the Regional Office of Education #2's government-wide and fiduciary fund deposits were \$5,939 and \$0 respectively, and the bank balances were \$6,269 and \$0, respectively. At June 30, 2015, \$1,339 of the Regional Office of Education #2's cash deposits, at various financial institutions, were insured by the Federal Deposit Insurance Corporation. The Illinois Funds Money Market accounts had a total balance of \$4,930 at June 30, 2015, which is fully collateralized and not subject to credit risk. All deposits were fully insured or collateralized, and were, therefore, not exposed to custodial credit risk.

INVESTMENTS

The Regional Office of Education #2 does not have a formal investment policy. The Regional Office of Education #2 is allowed to invest in securities as authorized by 30 ILCS 235/2 and 6 and 105 ILCS 5/8-7. As of June 30, 2015, the Regional Office of Education #2 had no amounts which were classified as investments.

CUSTODIAL RISK

Custodial credit risk is the risk that in the event of a bank failure, the Regional Office of Education's deposit may not be returned to it. The Regional Office of Education #2 does not have a deposit policy for custodial credit risk but follows the Public Funds Investment Act (30 ILCS 235/2 and 6), and Section 8-7 of the School Code.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

**2 DEPOSITS AND INVESTMENTS (Continued)**

CREDIT RISK

At June 30, 2015, 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 provisions of the Illinois Public Funds Investment Act, 30 ILCS 235. All deposits are fully collateralized.

INTEREST RATE RISK

The Illinois Funds Money Market Fund, created by the Illinois General Assembly, enables custodians of public funds an investment option with a competitive rate of return on fully collateralized investments and immediate access to the funds. The investment policy of the Illinois Funds Money Market Funds states that, unless authorized specifically by the Treasurer, a minimum of 75% of its investments shall have less than one-year maturity and no investment shall exceed two years maturity.

CONCENTRATION OF CREDIT RISK

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

**3 DEFINED BENEFIT PENSION PLAN - ILLINOIS MUNICIPAL RETIREMENT FUND**

IMRF PLAN DESCRIPTION

The Regional Office of Education #2'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 #2's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of an agent multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this note. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

BENEFITS PROVIDED

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

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

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

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, 2014, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and Beneficiaries currently receiving benefits	27
Inactive Plan Members entitled to but not yet receiving benefits	19
Active Plan Members	<u>8</u>
Total	<u><u>54</u></u>

CONTRIBUTIONS

As set by statute, the Regional Office of Education #2'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 #2's annual contribution rate for calendar year 2014 was 37.58%. For the calendar year ended December 31, 2014, the Regional Office of Education #2 contributed \$87,907 to the plan. The Regional Office of Education #2 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.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

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

NET PENSION LIABILITY (ASSET)

The Regional Office of Education #2's net pension liability was measured as of December 31, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

ACTUARIAL ASSUMPTIONS

The following are the methods and assumptions used to determine total pension liability at December 31, 2014:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 3.5%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	7.60%
International Equity	17%	7.80%
Fixed Income	27%	3.00%
Real Estate	8%	6.15%
Alternative Investments	9%	5.25-8.50%
Cash Equivalents	1%	2.25%
Total	<u>100%</u>	

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

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

SINGLE DISCOUNT RATE

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

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.56%, and the resulting single discount rate is 7.50%.

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, 2013	\$ 2,353,024	\$ 2,422,925	\$ (69,901)
Changes for the year:			-
Service Cost	31,570	-	31,570
Interest on the Total Pension Liability	172,445	-	172,445
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	669	-	669
Changes of Assumptions	89,015	-	89,015
Contributions - Employer	-	87,907	(87,907)
Contributions - Employees	-	10,525	(10,525)
Net Investment Income	-	177,487	(177,487)
Benefit Payments, including Refunds of Employee Contributions	(143,167)	(143,167)	-
Other (Net Transfer)	-	(2,344)	2,344
Net Changes	<u>150,532</u>	<u>130,408</u>	<u>20,124</u>
Balances at December 31, 2014	<u>\$ 2,503,556</u>	<u>\$ 2,553,333</u>	<u>\$ (49,777)</u>

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

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

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

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

	1% Lower (6.50%)	Current Discount (7.50%)	1% Higher (8.50%)
Net Pension Liability (Asset)	\$ 252,866	\$ (49,777)	\$ (291,709)

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

For the year ended June 30, 2015, the Regional Office of Education #2 recognized pension expense of \$69,862. At June 30, 2015, the Regional Office of Education #2 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
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actuarial experience	\$ 266	\$ -
Changes of assumptions	35,414	-
Net difference between projected and actual earnings on pension plan investments	2,489	-
Total Deferred Amounts to be recognized in pension expense in future periods	38,169	-
<i>Pension contributions made subsequent to the measurement date</i>	112,456	-
Total Deferred Amounts Related to Pensions	\$ 150,625	\$ -

\$112,456 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ending June 30, 2016.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

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

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 of Resources	Net Deferred Inflows of Resources
2015	\$ 36,303	\$ -
2016	622	-
2017	622	-
2018	622	-
2019	-	-
Thereafter	-	-
Total	<u>\$ 38,169</u>	<u>\$ -</u>

**4 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS**

The Regional Office of Education #2 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

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

**BENEFITS PROVIDED**

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

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

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

**4 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)**

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

CONTRIBUTIONS

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

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2015 was 9.4 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the Regional Office of Education #2.

ON BEHALF CONTRIBUTIONS TO TRS

The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #2. For the year ended June 30, 2015, the State of Illinois contributions recognized by the Regional Office of Education #2 were based on the State's proportionate share of collective net pension liability associated with the Regional Office of Education #2, and the Regional Office of Education #2 recognized revenue and expenditures of \$91,307 in pension contributions from the State of Illinois.

2.2 FORMULA CONTRIBUTIONS

Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ending June 30, 2015 were \$808 and are deferred because they were paid after the June 30, 2014 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 #2, there is a statutory requirement for the Regional Office of Education #2 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 fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2015, the employer pension contribution was 33.00 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2015, salaries totaling \$18,500 were paid from federal and special trust funds that required employer contributions of \$6,105. These contributions are deferred because they were paid after the June 30, 2014 measurement date.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

**4 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)**

EMPLOYER RETIREMENT COST CONTRIBUTIONS

Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The Regional Office of Education #2 is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the current program is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2015, the Regional Office of Education #2 paid no employer contributions under the ERO program.

The Regional Office of Education #2 is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2015, the Regional Office of Education #2 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.

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

At June 30, 2015, the Regional Office of Education #2 reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for State pension support provided to the employer. The State's support and total are for disclosure purposes only. The amount recognized by the employer as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the employer were as follows:

Employers proportionate share of the net pension liability	\$ 108,349
State's proportionate share of the net pension liability associated with the employer	1,134,093
	<u>\$ 1,242,442</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, and rolled forward to June 30, 2014. The Regional Office of Education #2's proportion of the net pension liability was based on the employer's share of contributions to TRS for the measurement year ended June 30, 2014, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2014, the Regional Office of Education #2's proportion was 0.0001783047 percent.

The net pension liability as of the beginning of this first measurement period under GASB Statement No. 68 was measured as of June 30, 2013, and the total pension liability was based on the June 30, 2013, actuarial valuation without any roll-up. The Regional Office of Education #2's proportion of the net pension liability as of June 30, 2013, was based on the Regional Office of Education #2's share of contributions to TRS for the measurement year ended June 30, 2013, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2013, the Regional Office of Education #2's proportion was 0.0008799263 percent.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

**4 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)**

For the year ended June 30, 2015, the Regional Office of Education #2 recognized pension expense of \$91,307 and revenue of \$91,307 for support provided by the State. For the year ended June 30, 2015, the Regional Office of Education #2 recognized pension expense of \$(77,333). At June 30, 2015, the Regional Office of Education #2 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	\$ 57	\$ -
Net difference between projected and actual earnings on pension plan investments	-	5,445
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	353,844
Employer contributions subsequent to the measurement date	6,913	-
	\$ 6,970	\$ 359,289

As discussed in Note 13 below, the Regional Office of Education #2 will be dissolved and its counties consolidated with other Regional Offices effective July 1, 2015. \$6,913 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized by the consolidating Regional Offices as a reduction of their net pension liabilities 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 included in these Regional Offices' pension expense as follows:

Year ended June 30:	
2016	\$ (87,232)
2017	(87,232)
2018	(87,232)
2019	(87,232)
2020	(10,304)
	\$ (359,232)

**ACTUARIAL ASSUMPTIONS**

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

Inflation:	3.00 percent
Salary increase:	5.75 percent, average, including inflation
Investment rate of return:	7.50 percent, net of pension plan investment expense, including inflation

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

**4 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)**

Mortality rates were based on the RP-2000 White Collar Table with projections using scale AA that vary by member group.

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

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

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

**DISCOUNT RATE**

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

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

**4 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)**

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

**SENSITIVITY OF THE REGIONAL OFFICE OF EDUCATION #2'S PROPORTIONATE SHARE OF THE NET POSITION LIABILITY TO CHANGES IN THE DISCOUNT RATE**

The following presents the Regional Office of Education #2's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Regional Office of Education #2's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability	\$ 133,806	\$ 108,349	\$ 87,268

**TRS FIDUCIARY NET POSITION**

Detailed information about the TRS's fiduciary net position as of June 30, 2014 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

**5 TEACHER HEALTH INSURANCE SECURITY FUND**

The Regional Office of Education #2 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the State administered participating provider option plan or choose from several managed care options. Annuitants who were enrolled in Medicare Parts A and B may be eligible to enroll in Medicare Advantage plans.

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

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

**5 TEACHER HEALTH INSURANCE SECURITY FUND (Continued)**

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 THIS FUND**

The State of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office of Education #2. State contributions are intended to match contributions to the THIS Fund from active members which were 1.02 percent of pay during the year ended June 30, 2015. State of Illinois contributions were \$1,421, and the Regional Office of Education #2 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2014 and June 30, 2013, were 0.97 and 0.92 percent of pay, respectively. State contributions on behalf of the Regional Office of Education employees were \$1,783 and \$2,831, respectively.

**EMPLOYER CONTRIBUTIONS TO THIS FUND**

The Regional Office of Education #2 also makes contributions to the THIS Fund. The Regional Office of Education #2's THIS Fund contribution was 0.76 percent during the year ended June 30, 2015, and 0.72 and 0.69 percent during the years ended June 30, 2014 and June 30, 2013, respectively. For the year ended June 30, 2015, the Regional Office of Education #2 paid \$1,059 to the THIS Fund. For the years ended June 30, 2014 and June 30, 2013, the Regional Office of Education #2 paid \$1,324 and \$2,124, respectively, which was 100 percent of the required contribution.

**FURTHER INFORMATION ON THIS FUND**

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

**6 ON BEHALF PAYMENTS**

The State of Illinois paid the following salaries, benefits, and contributions on behalf of the Regional Office of Education #2:

Regional Superintendent Salary	\$ 106,356
Regional Superintendent Fringe Benefit (Includes State paid insurance)	20,322
Assistant Regional Superintendent Salary	95,736
Assistant Regional Superintendent Fringe Benefit (Includes State paid insurance)	19,687
THIS Contributions	<u>1,421</u>
Total	<u><u>\$ 243,522</u></u>

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

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

**6 ON BEHALF PAYMENTS (Continued)**

The Regional Office of Education #2 also recorded \$91,307 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 #2 has not included any on behalf payments related to the State's TRS pension expense for the Regional Superintendent or Assistant Regional Superintendent.

State of Illinois on behalf payments	\$ 243,522
ROE #2's share of TRS pension expense	<u>91,307</u>
Total	<u><u>\$ 334,829</u></u>

**7 RISK MANAGEMENT**

The Regional Office of Education #2 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. Regional Office of Education #2 has purchased commercial insurance to cover these risks. During the year ended June 30, 2015, there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past four years.

**8 CAPITAL ASSETS**

In accordance with GASB Statement No. 34, the Regional Office of Education #2 has reported capital assets in the government-wide Statement of Net Position. Purchases are reported as capital outlay in the governmental fund statements. The following table provides a summary of changes in capital assets for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
General Fund				
General State Aid	\$ 5,031	\$ -	\$ 699	\$ 4,332
Total for General Fund	<u>5,031</u>	<u>-</u>	<u>699</u>	<u>4,332</u>
Education Fund				
Adult Education - General Revenue	107,194	-	28,875	78,319
Adult Education - Performance	17,079	-	705	16,374
Adult Education - State 3-1	3,276	-	779	2,497
ROE/ISC Operations	296,699	-	296,699	-
State Aid - Federal ARRA	<u>2,799</u>	<u>-</u>	<u>-</u>	<u>2,799</u>
Total for Education Fund	<u>427,047</u>	<u>-</u>	<u>327,058</u>	<u>99,989</u>
Other Non-Major Funds				
General Education Development	<u>5,261</u>	<u>-</u>	<u>5,261</u>	<u>-</u>
Total for Other Non-Major Funds	<u>5,261</u>	<u>-</u>	<u>5,261</u>	<u>-</u>
Total - Governmental Funds	437,339	-	333,018	104,321
Less: Accumulated Depreciation	<u>401,637</u>	<u>5,787</u>	<u>328,429</u>	<u>78,995</u>
Investment in Capital Assets, Net Governmental Activities	<u><u>\$ 35,702</u></u>	<u><u>\$ (5,787)</u></u>	<u><u>\$ 4,589</u></u>	<u><u>\$ 25,326</u></u>

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

**8 CAPITAL ASSETS (Continued)**

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense of \$5,787 was charged to the governmental activities on the Government-wide Statement of Activities for the year ended June 30, 2015. Investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation.

**9 DISTRIBUTIVE FUND INTEREST**

A written agreement between the Regional Office of Education #2's school boards, which receive funds through the Regional Office of Education #2, provides for the retention of interest earned on the State Distributive Fund checking account by the Regional Superintendent to be used for the benefit of all of the districts in the region. During the year the distributive fund earned interest of \$333. At June 30, 2015 all accumulated interest had been distributed.

**10 OTHER POSTEMPLOYMENT COMMITMENTS**

The Regional Office of Education #2 has evaluated its potential other post employment benefits liability. Based on this evaluation, the Regional Office of Education #2 determined that they offer no health insurance plan for current or former employees. Therefore, there has been zero percent utilization and therefore no implicit subsidy to calculate in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other than Pensions*. Therefore, the Regional Office of Education #2 has not recorded any post employment benefit liability as of June 30, 2015.

**11 LONG-TERM LIABILITIES**

COMPENSATED ABSENCES

Vacation pay and sick pay are considered expenditures in the year paid. An employee may accumulate an unlimited number of vacation days for use in future years; however, upon termination, with a few exceptions, employees will only be paid a maximum of twenty days. At June 30, 2015, the Regional Office of Education #2 did not have a liability for unused vacation days. The net decrease in the amount of vacation pay that was earned by the Regional Office of Education #2's employees in the current year was \$7,352. Accumulated sick pay benefits are available to all full-time employees to use in future years. Unused sick pay is limited to a maximum of 48 days. Upon termination, the employee is not compensated for any unused sick days; therefore, no accruals or reserves have been established.

**12 INTERFUND ACTIVITY**

TRANSFERS IN/OUT

Interfund transfers in/out to other funds at June 30, 2015 consist of the following individual transfers in/out to other funds in the fund statements. The transfer balances between Governmental funds were eliminated in the government-wide Statement of Activities; however, the transfers between the governmental funds and the business-type funds were not eliminated.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2015

**12 INTERFUND ACTIVITY (Continued)**

Fund	Transfers In	Transfers Out
Proprietary Fund	\$ 2,509	\$ -
General Fund	86,045	100,587
Education Fund	3,371	-
Institute Fund	2,304	-
Nonmajor Special Revenue Funds	6,358	-
Total	<u>\$ 100,587</u>	<u>\$ 100,587</u>

**13 REGIONAL OFFICE OF EDUCATION CONSOLIDATION**

As a result of Public Act 97-703, the State of Illinois will reduce the number of regional offices of education through consolidation. The Regional Office of Education #2 has agreements in place that combine Johnson, Massac, Franklin, and Williamson counties into a new region and Alexander, Pulaski, Union, Jackson, and Perry counties into a new region beginning July 1, 2015.

**14 RESTATEMENT**

As described in Note 1, the Regional Office of Education #2 implemented GASB Statement No. 68 and GASB Statement No. 71 during the year ended June 30, 2015. As a result of the implementation, the Regional Office of Education #2 recorded adjustments to net position for governmental activities as follows:

Governmental Activities Net Position

Net position - July 1, 2014	\$ 2,004,174
TRS net pension liability	(551,266)
TRS deferred outflows for contributions made after the measurement date	6,352
IMRF net pension asset	69,901
IMRF deferred outflows for contributions made after the measurement date	<u>74,006</u>
Net position, restated - July 1, 2014	<u>\$ 1,603,167</u>

REQUIRED SUPPLEMENTARY INFORMATION

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF THE EMPLOYER'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
Teacher's Retirement System of the State of Illinois  
For the Year Ended June 30, 2015\*

Employer's proportion of the net pension liability	0.0001780347%
Employer's proportionate share of the net pension liability	\$ 108,349
State's proportionate share of the net pension liability associated with the employer	<u>1,134,093</u>
<b>Total</b>	<b><u>\$ 1,242,442</u></b>
Employer's covered-employee payroll	\$ 183,839
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.9%
Plan fiduciary net position as a percentage of the total pension liability	43.0%

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

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

	2014	2015
Contractually-required contribution	\$ 6,352	\$ 6,913
Contributions in relation to the contractually-required contribution	6,352	6,913
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered-employee payroll	\$ 183,839	\$ 172,804
Contributions as a percentage of covered-employee payroll	3.5%	4.0%

Notes to Required Supplementary Information

Changes of assumptions

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

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
Illinois Municipal Retirement Fund  
Calendar Year 2014

Calendar Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2014	\$ 37,407	\$ 87,907	\$ (50,500)	\$ 233,898	37.58%

Notes to Schedule:

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2014 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 2014 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>	29-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>	7.5%
<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 percent 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, 2012, actuarial valuation; note two year lag between valuation and rate setting.

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

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY  
AND RELATED RATIOS  
Illinois Municipal Retirement Fund  
Calendar Year 2014

Calendar Year Ended December 31,	2014
Total Pension Liability	
Service Cost	\$ 31,570
Interest on the Total Pension Liability	172,445
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience of the Total Pension Liability	669
Changes of Assumptions	89,015
Benefit Payments, including Refunds of Employee Contributions	(143,167)
Net Change in Total Pension Liability	150,532
Total Pension Liability - Beginning	2,353,024
Total Pension Liability - Ending (A)	\$ 2,503,556
Plan Fiduciary Net Position	
Contributions - Employer	\$ 87,907
Contributions - Employees	10,525
Net Investment Income	177,487
Benefit Payments, including Refunds of Employee Contributions	(143,167)
Other (Net Transfer)	(2,344)
Net Change in Plan Fiduciary Net Position	130,408
Plan Fiduciary Net Position - Beginning	2,422,925
Plan Fiduciary Net Position - Ending (B)	\$ 2,553,333
Net Pension Liability - Ending (A) - (B)	\$ (49,777)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	101.99%
Covered Valuation Payroll	\$ 233,898
Net Pension Liability as a Percentage of Covered Valuation Payroll	-21.28%

Notes to Schedule:

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

See accompanying Independent Auditors' Report.

SUPPLEMENTAL INFORMATION

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF ACCOUNTS  
GENERAL FUND

JUNE 30, 2015

	<u>General State Aid</u>	<u>Office Fund</u>	<u>Director's Fund</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,009	\$ -	\$ -	\$ 1,009
Total assets	<u>\$ 1,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,009</u>
<b>Fund balance</b>				
Assigned	\$ 1,009	\$ -	\$ -	\$ 1,009
Total fund balance	<u>1,009</u>	<u>-</u>	<u>-</u>	<u>1,009</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,009</u>

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

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

For the Year Ended June 30, 2015

	General State Aid	Office Fund	Director's Fund	Total
Revenues				
Local sources	\$ 1,353	\$ 20,853	\$ 6,064	\$ 28,270
State sources	94,305	-	-	94,305
State sources-payments made on behalf of region	-	-	243,522	243,522
<b>Total revenues</b>	<b>95,658</b>	<b>20,853</b>	<b>249,586</b>	<b>366,097</b>
Expenditures				
Salaries and benefits	303,668	-	-	303,668
Purchased services	232,608	16,423	30,254	279,285
Supplies and materials	30,238	4,287	17,303	51,828
Payments to other governments	1,198,352	74,670	35,472	1,308,494
Pension expense	117,540	-	-	117,540
Payments made on behalf of region	-	-	243,522	243,522
<b>Total expenditures</b>	<b>1,882,406</b>	<b>95,380</b>	<b>326,551</b>	<b>2,304,337</b>
Excess (deficiency) of revenues over (under) expenditures	<b>(1,786,748)</b>	<b>(74,527)</b>	<b>(76,965)</b>	<b>(1,938,240)</b>
Other financing sources (uses)				
Transfers in	8,659	54,519	22,867	86,045
Transfers out	(69,076)	-	(31,511)	(100,587)
Interest	4,702	8	332	5,042
<b>Total other financing sources (uses)</b>	<b>(55,715)</b>	<b>54,527</b>	<b>(8,312)</b>	<b>(9,500)</b>
Net change in fund balances	(1,842,463)	(20,000)	(85,277)	(1,947,740)
Fund balance - beginning	1,843,472	20,000	85,277	1,948,749
Fund balance - ending	<b>\$ 1,009</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,009</b>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND

JUNE 30, 2015

	Adult Education - General Revenue	Miscellaneous Grant Funds	Regional Safe Schools	ROE/ISC Operations	Secretary of State Adult Volunteer Literacy
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance					
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REGIONAL OFFICE OF EDUCATION #2  
 ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING SCHEDULE OF ACCOUNTS  
 EDUCATION FUND (Continued)

JUNE 30, 2015

	Service Fund	System of Support Title I - Support Improvement and Accountability	Title II - Teacher Quality - Leadership Grant	Truants Alternative Optional Education	Total
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance					
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

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

For the Year Ended June 30, 2015

	Adult Education - General Revenue	Miscellaneous Grant Funds	Regional Safe Schools	ROE/ISC Operations	Secretary of State Adult Volunteer Literacy
Revenues					
Local sources	\$ 10,936	\$ -	\$ -	\$ -	\$ -
State sources	-	-	50,638	56,656	-
Federal sources	-	-	-	-	-
<b>Total revenues</b>	<b>10,936</b>	<b>-</b>	<b>50,638</b>	<b>56,656</b>	<b>-</b>
Expenditures					
Salaries and benefits	7,575	-	46,908	50,253	-
Purchased services	377	209	2,926	1,050	-
Supplies and materials	1,849	-	-	-	39
Pension expense	-	-	1,972	5,354	-
<b>Total expenditures</b>	<b>9,801</b>	<b>209</b>	<b>51,806</b>	<b>56,657</b>	<b>39</b>
Excess (deficiency) of revenues over (under) expenditures	1,135	(209)	(1,168)	(1)	(39)
Other financing sources:					
Transfers in	1,450	198	1,160	-	-
Interest	-	11	8	1	39
<b>Total other financing sources</b>	<b>1,450</b>	<b>209</b>	<b>1,168</b>	<b>1</b>	<b>39</b>
Net change in fund balances (deficit)	2,585	-	-	-	-
Fund balance (deficit) - beginning	(2,585)	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

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

For the Year Ended June 30, 2015

	Service Fund	System of Support Title I - Support Improvement and Accountability	Title II - Teacher Quality - Leadership Grant	Truants Alternative Optional Education	Total
Revenues					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 10,936
State sources	-	-	-	24,437	131,731
Federal sources	-	66,283	1,773	-	68,056
Total revenues	<u>-</u>	<u>66,283</u>	<u>1,773</u>	<u>24,437</u>	<u>210,723</u>
Expenditures					
Salaries and benefits	-	32,245	-	24,129	161,110
Purchased services	4,424	3,476	1,773	621	14,856
Supplies and materials	-	2,378	-	-	4,266
Pension expense	-	6,353	-	253	13,932
Total expenditures	<u>4,424</u>	<u>44,452</u>	<u>1,773</u>	<u>25,003</u>	<u>194,164</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,424)</u>	<u>21,831</u>	<u>-</u>	<u>(566)</u>	<u>16,559</u>
Other financing sources:					
Transfers in	-	-	-	563	3,371
Interest	4	-	-	3	66
Total other financing sources	<u>4</u>	<u>-</u>	<u>-</u>	<u>566</u>	<u>3,437</u>
Net change in fund balances (deficit)	<u>(4,420)</u>	<u>21,831</u>	<u>-</u>	<u>-</u>	<u>19,996</u>
Fund balance (deficit) - beginning	<u>4,420</u>	<u>(21,831)</u>	<u>-</u>	<u>-</u>	<u>(19,996)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNTS  
REGIONAL SAFE SCHOOLS

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 51,804	\$ 50,638	\$ 50,638
Total revenue	<u>51,804</u>	<u>50,638</u>	<u>50,638</u>
Expenditures			
Salaries and benefits	50,470	46,634	48,880
Purchased services	1,291	3,961	2,926
Supplies and materials	43	43	-
Total expenditures	<u>51,804</u>	<u>50,638</u>	<u>51,806</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(1,168)</u>
Other financing sources (uses):			
Transfers in	-	-	1,160
Interest	-	-	8
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,168</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNTS  
ROE/ISC OPERATIONS

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 56,656	\$ 56,656	\$ 56,656
Total revenue	<u>56,656</u>	<u>56,656</u>	<u>56,656</u>
Expenditures			
Salaries and benefits	55,461	55,461	55,607
Purchased services	1,195	1,195	1,050
Total expenditures	<u>56,656</u>	<u>56,656</u>	<u>56,657</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(1)</u>
Other financing sources (uses):			
Interest	-	-	1
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>1</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

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

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts		
	Original	Final	FY14	FY15	Total
Revenue					
Federal sources	\$ 41,723	\$ 41,723	\$ 24,560	\$ 41,723	\$ 66,283
Total revenue	<u>41,723</u>	<u>41,723</u>	<u>24,560</u>	<u>41,723</u>	<u>66,283</u>
Expenditures					
Salaries and benefits	32,605	32,605	1,717	36,881	38,598
Purchased services	7,868	7,868	284	3,192	3,476
Supplies and materials	1,250	1,250	728	1,650	2,378
Total expenditures	<u>41,723</u>	<u>41,723</u>	<u>2,729</u>	<u>41,723</u>	<u>44,452</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>21,831</u>	<u>-</u>	<u>21,831</u>
Net change in fund balance	-	-	21,831	-	21,831
Fund balance (deficit) - beginning	<u>-</u>	<u>-</u>	<u>(21,831)</u>	<u>-</u>	<u>(21,831)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: The budgeted amounts presented above are for the fiscal year 2015 program only. Fiscal year 2014 actual amounts are presented for additional information only.

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

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

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
Federal sources	\$ 1,773	\$ 1,773	\$ 1,773
Total revenue	<u>1,773</u>	<u>1,773</u>	<u>1,773</u>
Expenditures			
Purchased services	1,700	1,700	1,773
Supplies and materials	73	73	-
Total expenditures	<u>1,773</u>	<u>1,773</u>	<u>1,773</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources			
Transfers in	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNTS  
TRUANTS ALTERNATIVE/OPTIONAL EDUCATION

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 25,000	\$ 24,437	\$ 24,437
Total revenue	<u>25,000</u>	<u>24,437</u>	<u>24,437</u>
Expenditures			
Salaries and benefits	24,335	23,786	24,382
Purchased services	615	601	621
Supplies and materials	50	50	-
Total expenditures	<u>25,000</u>	<u>24,437</u>	<u>25,003</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(566)</u>
Other Financing Sources			
Transfers in	-	-	563
Interest	-	-	3
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>566</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2015

	Bus Driver Permit	General Education Development	Total
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Total assets	\$ -	\$ -	\$ -
Fund balance			
Restricted	\$ -	\$ -	\$ -
Total fund balance	-	-	-
Total liabilities and fund balance	\$ -	\$ -	\$ -

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

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

For the Year Ended June 30, 2015

	Bus Driver Permit	General Education Development	Total
Revenues			
Local sources	\$ 224	\$ 232	\$ 456
State sources	850	-	850
Total revenues	<u>1,074</u>	<u>232</u>	<u>1,306</u>
Expenditures			
Salaries and benefits	1,133	4,068	5,201
Purchased services	50	-	50
Pension expense	9	572	581
Total expenditures	<u>1,192</u>	<u>4,640</u>	<u>5,832</u>
(Deficiency) of revenues (under) expenditures	<u>(118)</u>	<u>(4,408)</u>	<u>(4,526)</u>
Other financing sources			
Transfers in	6,358	-	6,358
Interest	-	4	4
Total other financing sources	<u>6,358</u>	<u>4</u>	<u>6,362</u>
Net change in fund balance (deficit)	6,240	(4,404)	1,836
Fund balance (deficit) - beginning	<u>(6,240)</u>	<u>4,404</u>	<u>(1,836)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND

For the Year Ended June 30, 2015

<u>Distributive Fund</u>	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 467,455	\$ 171,230	\$ 638,685	\$ -
Due from other governments	169,644	-	169,644	-
<b>Total Assets</b>	<b><u>\$ 637,099</u></b>	<b><u>\$ 171,230</u></b>	<b><u>\$ 808,329</u></b>	<b><u>\$ -</u></b>
<b>Liabilities</b>				
Due to primary government	\$ 467,247	\$ -	\$ 467,247	\$ -
Due to other governments	169,852	171,230	341,082	-
<b>Total Liabilities</b>	<b><u>\$ 637,099</u></b>	<b><u>\$ 171,230</u></b>	<b><u>\$ 808,329</u></b>	<b><u>\$ -</u></b>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES  
DISTRIBUTIVE FUND  
For the Year Ended June 30, 2015

Program Description	Program Number	Buncombe CSD	Cairo SD #1	Cobden SUD 17	Egyptian CUSD 5	Goreville CUD 1	Jonesboro CCSD #43	Lick Creek CCSD #16
Sp. Ed. - Funding for Children Req. Serv.	3105	\$ -	\$ 18,329	\$ -	\$ -	\$ -	\$ -	\$ -
Sp. Ed. - Personnel	3110	-	27,988	-	-	-	-	-
State Free Lunch & Breakfast	3360	-	605	-	-	-	-	-
Driver Education	3370	-	1,044	-	-	-	-	-
Transportation - Regular	3500	-	28,379	-	-	-	-	-
Transportation - Special Education	3510	-	14,079	-	-	-	-	-
Truants Alternative/Optional Ed.	3695	-	-	-	-	-	-	-
Regional Safe Schools	3696	-	-	-	-	-	-	-
Early Childhood - State Preschool at Risk	3705	-	38,632	-	-	-	-	-
Title II - Teacher Quality Leadership	4935	-	-	-	-	-	-	-
National Forest Reserve	N/A	19	14	153	273	30	80	46
Interest	N/A	-	-	-	-	-	-	-
		<u>\$ 19</u>	<u>\$ 129,070</u>	<u>\$ 153</u>	<u>\$ 273</u>	<u>\$ 30</u>	<u>\$ 80</u>	<u>\$ 46</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #2  
ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES

SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES  
DISTRIBUTIVE FUND  
For the Year Ended June 30, 2015

Program Description	Program Number	Massac UD 1	New Simpson Hill CD 32	Shawnee CUSD 84	Vienna Grade School Dist 55	Janet Ulrich Reg. Supt. of Schools	Total
Sp. Ed. - Funding for Children Req. Serv.	3105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,329
Sp. Ed. - Personnel	3110	-	-	-	-	-	27,988
State Free Lunch & Breakfast	3360	-	-	-	-	-	605
Driver Education	3370	-	-	-	-	-	1,044
Transportation - Regular	3500	-	-	-	-	-	28,379
Transportation - Special Education	3510	-	-	-	-	-	14,079
Truants Alternative/Optional Ed.	3695	-	-	-	-	27,474	27,474
Regional Safe Schools	3696	-	-	-	-	13,014	13,014
Early Childhood - State Preschool at Risk	3705	-	-	-	-	-	38,632
Title II - Teacher Quality Leadership	4935	-	-	-	-	100	100
National Forest Reserve	N/A	41	178	356	63	-	1,253
Interest	N/A	-	-	-	-	333	333
		<u>\$ 41</u>	<u>\$ 178</u>	<u>\$ 356</u>	<u>\$ 63</u>	<u>\$ 40,921</u>	<u>\$ 171,230</u>

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See accompanying Independent Auditors' Report.