

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

FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2016

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

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

For the Year Ended June 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Financial Report Summary	2
Financial Statement Report Summary	3
Financial Section	
Independent Auditors' Report	4-6
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 <i>Government Auditing Standards</i>	7-8
Schedule of Findings and Responses	9
Financial Statement Findings	10a-10d
Corrective Action Plan for Current-Year Audit Findings	11a-11b
Summary Schedule of Prior Audit Findings	12
Management's Discussion and Analysis	13a-13f
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Governmental Funds - Balance Sheet	16
Governmental Funds - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	18
Governmental Funds - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Proprietary Funds - Statement of Net Position	20
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Position	21
Proprietary Funds - Statement of Cash Flows	22
Fiduciary Fund - Statement of Fiduciary Net Position	23
Notes to the Financial Statements	24-54

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

For the Year Ended June 30, 2016

TABLE OF CONTENTS (Continued)

	<u>Page</u>
Required Supplementary Information	
Schedule of the Employer's Proportionate Share of the Net Pension Liability - Teacher's Retirement System of the State of Illinois	55
Schedule of Employer Contributions - Teacher's Retirement System of the State of Illinois	55
Schedule of Employer Contributions - Illinois Municipal Retirement Fund	56
Schedule of Changes in the Net Pension Liability and Related Ratios - Illinois Municipal Retirement Fund	57
Supplemental Information	
General Fund Accounts:	
Combining Schedule of Accounts	58-60
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	61-63
Education Fund Accounts:	
Combining Schedule of Accounts	64-66
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	67-69
Budgetary Comparison Schedules:	
ROE/ISC Operations	70
Truants Alternative/Optional Education	71
Adult Education & Family Literacy	72
Regional Safe Schools	73
McKinney Education for Homeless Children	74
Title II - Teacher Quality - Leadership Grant	75
Title I - School Improvement System of Support	76
Early Childhood Block Grant	77
Substance Abuse Prevention Program	78
New Teacher Induction & Monitoring	79
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	80
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	81
Agency Fund:	
Statement of Changes in Assets and Liabilities	82

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

OFFICIALS

For the Year Ended June 30, 2016

Regional Superintendent
(Current and During the Audit Period)

Ms. Julie Wollerman

Assistant Regional Superintendent
(Current and During the Audit Period)

Ms. Marchelle Kassebaum

Offices are located at:

207 N. 2nd Street
Greenville, IL 62246

101 South Main Street
Taylorville, IL 62568

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

1500 W. Jefferson St.
Vandalia, IL 62471

203 South Main Street
Hillsboro, IL 62049

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

FINANCIAL REPORT SUMMARY

For the Year Ended June 30, 2016

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

AUDITORS' REPORT

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

SUMMARY OF AUDIT FINDINGS

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

SUMMARY OF FINDINGS AND RESPONSES

Item No.	Page	Description	Finding Type
<i>FINDINGS (GOVERNMENT AUDITING STANDARDS)</i>			
2016-001	10a	Controls over Financial Statement Preparation	Material Weakness
2016-002	10c	Internal Controls over Payroll and Grant Compliance	Significant Deficiency

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

None

EXIT CONFERENCE

No formal exit conference was held with the management of Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education #3's management. The findings and recommendations in this report were discussed with management of the Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education at various informal meetings. Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's responses to the recommendations and corrective action plans were provided by Julie Wollerman, Regional Superintendent, in an email dated July 5, 2017.

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

FINANCIAL STATEMENT REPORT SUMMARY

For the Year Ended June 30, 2016

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

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

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

INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 13 to the financial statements, the Bond, Effingham, and Fayette Counties Regional Office of Education No. 3 consolidated the Christian and Montgomery Counties Regional Office of Education No. 10 into its Education Service Region effective July 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13a-13f, and 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 55 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's basic financial statements. The combining schedules of accounts, the budgetary comparison schedules and the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2017, on our consideration of the Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Mattoon, Illinois
July 25, 2017

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

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's basic financial statements, and have issued our report thereon dated July 25, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's internal control. Accordingly, we do not express an opinion on the effectiveness of Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2016-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2016-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's responses to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Mattoon, Illinois
July 25, 2017

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

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements in accordance with GAAP

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

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

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2016

Section II - Financial Statement Findings

FINDING NO. 2016-001 - Controls Over Financial Statement Preparation (Repeat of Finding 2015-001)

Criteria/Specific Requirement:

The Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3 (ROE) is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The ROE's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP basis financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

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

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

Condition:

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

- The ROE did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unavailable revenue. While the Regional Office did maintain records to indicate the balances of accounts receivable, accounts payable, and unavailable revenue, numerous material adjustments were needed to make the financial statements comply with generally accepted accounting principles.

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

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

For the Year Ended June 30, 2016

Section II - Financial Statement Findings (Continued)

**FINDING NO. 2016-001 - Controls Over Financial Statement Preparation (Repeat of Finding 2015-001)
(Continued)**

Condition (Continued):

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

Effect:

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

Cause:

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

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

Auditors' Recommendation:

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

Management's Response:

The ROE will continue to evaluate the time/training required to implement these standards and the funding available to do so.

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

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

For the Year Ended June 30, 2016

Section II - Financial Statement Findings (Continued)

FINDING NO. 2016-002 - Internal Controls over Payroll and Grant Compliance

Criteria/Specific Requirement:

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

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

Condition:

The Regional Office was unable to produce time and effort documentation used to distribute the salary and benefit costs for an employee who partly worked on Adult Education and Family Literacy (Federal) and partly on Truants Alternative/Optional Education General State Aid and also for an employee who partly worked on McKinney Education for Homeless Children (Federal) and partly on County and Early Childhood Block Grants. These two employees completed inadequate time sheets that were based on a previous time and effort study rather than using actual time and effort documentation. Furthermore, there was no review of the amounts charged to Federal awards based on budget estimates in order to make necessary adjustments ensuring that the final amounts charged to the Federal awards is accurate, allowable, and properly allocated.

Effect:

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

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

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

For the Year Ended June 30, 2016

Section II - Financial Statement Findings (Continued)

FINDING NO. 2016-002 - Internal Controls over Payroll and Grant Compliance (Continued)

Cause:

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

Recommendation:

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

Management's Response:

Current policies and procedures provide for the best service possible. In the future, the ROE will work on completing time and effort sheets that meet this compliance standard.

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

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

For the Year Ended June 30, 2016

Corrective Action Plan

FINDING NO. 2016-001 - Controls Over Financial Statement Preparation (Repeat of Finding 2015-001)

Condition:

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

- The ROE did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unavailable revenue. While the Regional Office did maintain records to indicate the balances of accounts receivable, accounts payable, and unavailable revenue, numerous material adjustments were needed to make the financial statements comply with generally accepted accounting principles.
- In addition, the ROE did not have adequate controls to record and report the ROE's net accrued pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP. Proposed adjusting entries by auditors were approved and accepted by the ROE's management.

Plan:

The ROE will continue to monitor the requirements as well as train our bookkeeping team in these methods, manners, and procedures.

Anticipated Date of Completion:

This is an on-going process.

Contact Person:

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

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

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS (CONTINUED)

For the Year Ended June 30, 2016

Corrective Action Plan (Continued)

FINDING NO. 2016-002 - Internal Controls over Payroll and Grant Compliance

Condition:

The Regional Office was unable to produce time and effort documentation used to distribute the salary and benefit costs for an employee who partly worked on Adult Education and Family Literacy (Federal) and partly on Truants Alternative/Optional Education General State Aid and also for an employee who partly worked on McKinney Education for Homeless Children (Federal) and partly on County and Early Childhood Block Grants. These two employees completed inadequate time sheets that were based on a previous time and effort study rather than using actual time and effort documentation. Furthermore, there was no review of the amounts charged to Federal awards based on budget estimates in order to make necessary adjustments ensuring that the final amounts charged to the Federal awards is accurate, allowable, and properly allocated.

Plan:

The ROE team will work to provide the time and effort sheets reflecting work done on all specific pay funds.

Anticipated Date of Completion:

This is an on-going process.

Contact Person:

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

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2016

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
2015-001	Controls Over Financial Statement Preparation	Repeated as 2016-001

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

The Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3 (ROE No. 3) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2016 and 2015. We encourage readers to consider this information in conjunction with ROE No. 3's financial statements which follow.

2016 Financial Highlights

- Within the Governmental Funds, the General Fund revenues increased by \$681,714 from \$976,834 in fiscal year 2015 to \$1,658,548 in fiscal year 2016. General Fund expenditures increased by \$591,759 from \$1,029,768 in fiscal year 2015 to \$1,621,527 in fiscal year 2016. The increase in revenues and expenses is mainly attributable to the consolidation of the Regional Office of Education No. 10's activity into the Regional Office of Education No. 3's educational service region.
- Within the Governmental Funds, the Education Fund revenues increased by \$546,877 from \$832,200 in fiscal year 2015 to \$1,379,077 in fiscal year 2016. The Education Fund expenditures increased by \$644,466 from \$829,815 in fiscal year 2015 to \$1,474,281 in fiscal year 2016. The revenue and expenditure increases are mainly attributable to the consolidation of the Regional Office of Education No. 10's activity into the Regional Office of Education No. 3's educational service region.

Using This Report

This report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the ROE No. 3's financial activities.
- The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the ROE No. 3 as a whole and present an overall view of the ROE No. 3's finances.
- The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report ROE No. 3's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the financial statements provide additional information that is needed for a full understanding of the data provided in the basic financial statements.
- Required supplementary information further explains and supports the financial statements and supplementary information provides detailed information for each category of funds and about the nonmajor funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

Reporting the Regional Office as a Whole

The Statement of Net Position and the Statement of Activities

The government-wide statements report information about the ROE No. 3 as a whole. The Statement of Net Position includes all of the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid, using accounting methods similar to those used by private-sector companies.

The two government-wide statements report the ROE No. 3's net position and how it has changed. Net position (the difference between the assets plus deferred outflows and liabilities plus deferred inflows) are one way to measure the ROE No. 3's financial health or position.

- Over time, increases or decreases in the net position can be an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the ROE No. 3's overall health, additional non-financial factors, such as new laws, rules, regulations, and actions by officials at the state level need to be considered.

The government-wide financial statements present the ROE No. 3's activities as both governmental and business-type activities. Local, state and federal aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide detailed information about the ROE No. 3's funds, focusing on its most significant or "major" funds. Funds are accounting devices that allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by state law. The ROE No. 3 established other funds to control and manage money for particular purposes.

The ROE No. 3 has three kinds of funds:

- Governmental funds account for all of the ROE No. 3's services. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the ROE No. 3's programs. The ROE No. 3's Governmental Funds include: the General Fund, Education Fund, Institute Fund and other nonmajor special revenue funds.

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

- The proprietary fund accounts for activities where the ROE charges customers for services. This fund is most similar to a business that operates for a profit. The ROE's enterprise fund includes the following: Local Workshops Fund.

The proprietary fund's required financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

Reporting the Regional Office as a Whole (continued)

Fund Financial Statements (continued)

- The fiduciary fund is used to account for assets held by the ROE No. 3 in a trust capacity or as an agent for individuals and private or governmental organizations. This fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

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

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve, when examined over time, as one indicator of the financial position of the Regional Office. The net position at the end of fiscal year 2015 totaled \$585,387. At the end of fiscal year 2016, the net position was \$635,499. Opening net position was restated by \$5,530 due to the consolidation with the Regional Office of Education No. 10 (see note 13 to the financial statements) and by \$(11,428) due to a prior period adjustment (see note 14 to the financial statements). The analysis that follows provides a summary of the Office's net position as of June 30, 2016 and 2015, for the governmental and business-type activities.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current assets	\$ 895,276	\$ 738,641	\$ 252,790	\$ 269,128	\$ 1,148,066	\$ 1,007,769
Capital assets, net of depreciation	74,060	41,175	-	-	74,060	41,175
Total assets	969,336	779,816	252,790	269,128	1,222,126	1,048,944
Deferred outflows of resources	552,188	150,188	-	-	552,188	150,188
Current liabilities	113,777	105,763	-	-	113,777	105,763
Noncurrent liabilities	974,745	442,387	-	-	974,745	442,387
Total liabilities	1,088,522	548,150	-	-	1,088,522	548,150
Deferred inflows of resources	50,293	65,595	-	-	50,293	65,595
Net position:						
Investment in capital assets	74,060	41,175	-	-	74,060	41,175
Restricted - other	238,805	136,043	-	-	238,805	136,043
Unrestricted	69,844	139,041	252,790	269,128	322,634	408,169
Total net position	\$ 382,709	\$ 316,259	\$ 252,790	\$ 269,128	\$ 635,499	\$ 585,387

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

Government-Wide Financial Analysis (continued)

The Regional Office of Education's net position increased by \$56,010 from fiscal year 2015 to fiscal year 2016. This increase occurred primarily due to an increase in revenues.

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Operating grants and contributions	\$ 1,481,290	\$ 1,294,344	\$ -	\$ -	\$ 1,481,290	\$ 1,294,344
Charges for services	-	-	68,283	45,170	68,283	45,170
General revenues:						
Local sources	636,719	308,705	-	-	636,719	308,705
State sources	764,025	-	-	-	764,025	-
Interest	1,200	927	-	-	1,200	927
On-behalf payments - local	35,376	28,603	-	-	35,376	28,603
On-behalf payments - state	532,058	402,977	-	-	532,058	402,977
Gain on disposal of capital assets	201	-	100	-	301	-
Total revenues	<u>3,450,869</u>	<u>2,035,556</u>	<u>68,383</u>	<u>45,170</u>	<u>2,987,194</u>	<u>1,677,749</u>
Expenses:						
Program expenses:						
Salaries and benefits	1,592,352	969,429	-	-	1,592,352	969,429
Purchased services	478,063	319,112	-	-	478,063	319,112
Supplies and materials	79,010	49,666	-	-	79,010	49,666
Payments to other governments	465,314	211,385	-	-	465,314	211,385
Depreciation	26,668	15,621	-	-	26,668	15,621
Pension expense	165,476	83,726	-	-	165,476	83,726
Administrative expenses:						
On-behalf payments - local	35,376	28,603	-	-	35,376	28,603
On-behalf payments - state	532,058	402,977	-	-	532,058	402,977
Business-type expenses:						
Fees for services	-	-	88,925	12,361	88,925	12,361
Total expenses	<u>3,374,317</u>	<u>2,080,519</u>	<u>88,925</u>	<u>12,361</u>	<u>2,931,184</u>	<u>1,689,903</u>
Change in net position	76,552	(44,963)	(20,542)	32,809	56,010	(12,154)
Net position - beginning (Restated for 2016)	<u>306,157</u>	<u>361,222</u>	<u>273,332</u>	<u>236,319</u>	<u>579,489</u>	<u>597,541</u>
Net position - ending	<u>\$ 382,709</u>	<u>\$ 316,259</u>	<u>\$ 252,790</u>	<u>\$ 269,128</u>	<u>\$ 635,499</u>	<u>\$ 585,387</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

Governmental Activities

Revenues for governmental activities were \$3,450,869 and expenses were \$3,374,317 for the year ended June 30, 2016. Revenues for governmental activities were \$2,035,556 and expenses were \$2,080,519 for the year ended June 30, 2015. The majority of the increase in revenues and expenditures is attributable to the consolidation of the Regional Office of Education No. 10's activity with the Regional Office of Education No. 3's educational service region.

Business-type Activities

Revenues for business-type activities were \$68,383 and expenses were \$88,925 for the year ended June 30, 2016. Revenues for business-type activities were \$45,170 and expenses were \$12,361 for the year ended June 30, 2015. The increase in revenues and expenses is attributable to the consolidation of the Regional Office of Education No. 10 due to picking up Christian and Montgomery Counties.

Financial Analysis of the Regional Office of Education No. 3's Funds

As previously noted, the Regional Office of Education No. 3 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Office's Governmental Funds reported combined fund balances of \$678,435 at June 30, 2016 compared to \$632,878 at June 30, 2015. The increase is attributable to the consolidation of the Regional Office of Education No. 10 due to picking up Christian and Montgomery Counties.

Budgetary Highlights

The Regional Office of Education No. 3 annually adopts budgets for several funds. The Regional Superintendent annually prepares a County Budget and submits it to the County Board for their approval. The County Budget covers a fiscal year that runs from December 1 to November 30. All other grant budgets are prepared by the Regional Office of Education No. 3 and submitted to the granting agency for approval using the ROEs fiscal year. Amendments must be submitted under guidelines established by the granting agency.

Capital Assets

Capital assets of the Regional Office of Education No. 3 include office equipment, computers, audio-visual equipment, office furniture, and building improvements. The Regional Office of Education No. 3 maintains an inventory of capital assets that have been accumulated over time. The beginning value of capital assets increased during FY16 due to asset additions resulting from the consolidation the Regional Office of Education No. 10. During the year ended June 30, 2016, Regional Office of Education No. 3 purchased assets totaling \$39,819 and disposed of assets totaling \$36,240, resulting in an ending balance of \$74,060. In addition, the Regional Office of Education No. 3 has adopted a depreciation schedule that reflects the level of the reported net investment in capital assets. More detailed information about capital assets is available in Note 3 of the financial statements.

Economic Factors and Next Year's Budget

At the time these financial statements were prepared and audited, the ROE No. 3 was aware of the following circumstances that could affect its financial health in the future:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

Economic Factors and Next Year's Budget (Continued)

- A limited number of federal and state grant programs help support the Regional Office of Education No. 3's Educational Services Division and the Youth Education Services: Schools Division. Funding for these grant programs is not assured from year to year. Because of limited availability of funds to other agencies and organizations, there is increased competition for funded grant programs. The future of these two programs is directly dependent on their abilities to compete for grant funding. The Youth Education Services: Schools Division has been expanding due to increased needs by the districts for placement of students requiring alternative educational services however, the funding seems to be decreasing. The Educational Service Division continues to offer professional development to the teachers in our area at a reduced cost, when possible, to help the districts during the financial hardships we are all facing.
- The Learning Express Program added a Vandalia location, which will increase funding for the Early Childhood Program.
- Bond County passed the County Facility Tax which will increase revenue flowing through the ROE for FY17 and Montgomery County will be added in FY18.
- The fund for ROE/ISC Operations increased by approximately \$33,000 in FY17.
- During FY17 the main ROE office in Vandalia moved to the same location as the Youth Education Services: Schools Division at 1500 W. Jefferson.
- The Regional Office of Education No. 3 operates under conservative fiscal management and will continue to remain productive during the current State budgetary conundrum through frugal fiscal management, staying within fiscal limits and by utilizing human resources and physical resources effectively. A continuous review of current and past practices, as well as current operations policies has led to practical modifications resulting in a reduction of expenditures and reasonably stable fund balances.
- The county boards in ROE No. 3 continue to struggle and we continue to work with them to eliminate all unnecessary expenses and still strive to accomplish our mission of "Serving Schools-Protecting Students-Leading for Excellence".

Contacting the Regional Office's Financial Management

This financial report is designed to provide the Regional Office of Education No. 3's citizens, taxpayers, clients, and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the Regional Office of Education No. 3 at 1500 West Jefferson Street, Vandalia, Illinois 62471.

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

June 30, 2016

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Current assets:			
Cash and cash equivalents	\$ 719,111	\$ 58,993	\$ 778,104
Due from (to) other funds	(187,318)	187,318	-
Due from other governments:	363,483	6,479	369,962
Total current assets	<u>895,276</u>	<u>252,790</u>	<u>1,148,066</u>
Noncurrent assets:			
Capital assets, net of depreciation	74,060	-	74,060
Total noncurrent assets	<u>74,060</u>	<u>-</u>	<u>74,060</u>
Total assets	<u>969,336</u>	<u>252,790</u>	<u>1,222,126</u>
Deferred outflows of resources			
Deferred outflows related to pensions	<u>552,188</u>	<u>-</u>	<u>552,188</u>
Liabilities			
Current liabilities:			
Accounts payable	20,950	-	20,950
Salary and benefits payable	65,946	-	65,946
Due to other governments:	26,881	-	26,881
Total current liabilities	<u>113,777</u>	<u>-</u>	<u>113,777</u>
Noncurrent liabilities:			
Net pension liability	974,745	-	974,745
Total noncurrent liabilities	<u>974,745</u>	<u>-</u>	<u>974,745</u>
Total liabilities	<u>1,088,522</u>	<u>-</u>	<u>1,088,522</u>
Deferred inflows of resources			
Deferred inflows related to pensions	<u>50,293</u>	<u>-</u>	<u>50,293</u>
Net position			
Investment in capital assets	74,060	-	74,060
Restricted - other	238,805	-	238,805
Unrestricted	69,844	252,790	322,634
Total net position	<u>\$ 382,709</u>	<u>\$ 252,790</u>	<u>\$ 635,499</u>

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

BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES
REGIONAL OFFICE OF EDUCATION NO. 3
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instructional Services:						
Salaries and benefits	\$ 1,592,352	\$ -	\$ 807,871	\$ (784,481)	\$ -	\$ (784,481)
Purchased services	478,063	-	323,423	(154,640)	-	(154,640)
Supplies and materials	79,010	-	57,941	(21,069)	-	(21,069)
Capital outlay	-	-	39,819	39,819	-	39,819
Payments to other governments	465,314	-	177,398	(287,916)	-	(287,916)
Pension expense	165,476	-	74,838	(90,638)	-	(90,638)
Depreciation	26,668	-	-	(26,668)	-	(26,668)
Administrative:						
On-behalf payments - Local	35,376	-	-	(35,376)	-	(35,376)
On-behalf payments - State	532,058	-	-	(532,058)	-	(532,058)
Total governmental activities	<u>3,374,317</u>	<u>-</u>	<u>1,481,290</u>	<u>(1,893,027)</u>	<u>-</u>	<u>(1,893,027)</u>
Business-type activities						
Fees for services	88,925	68,283	-	-	(20,642)	(20,642)
Total business-type activities	<u>88,925</u>	<u>68,283</u>	<u>-</u>	<u>-</u>	<u>(20,642)</u>	<u>(20,642)</u>
Total primary government	<u>\$ 3,463,242</u>	<u>\$ 68,283</u>	<u>\$ 1,481,290</u>	<u>(1,893,027)</u>	<u>(20,642)</u>	<u>(1,913,669)</u>
General Revenues:						
Local sources				636,719	-	636,719
State sources				764,025	-	764,025
On-behalf payments - Local				35,376	-	35,376
On-behalf payments - State				532,058	-	532,058
Gain on disposal of capital assets				201	100	301
Interest				1,200	-	1,200
Total general revenues				<u>1,969,579</u>	<u>100</u>	<u>1,969,679</u>
Change in net position				76,552	(20,542)	56,010
Net position - beginning (restated) - see note 13				<u>306,157</u>	<u>273,332</u>	<u>579,489</u>
Net position - ending				<u>\$ 382,709</u>	<u>\$ 252,790</u>	<u>\$ 635,499</u>

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

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

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Education Fund	Institute	Other Nonmajor Funds	Eliminations	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 484,489	\$ 58,322	\$ 116,430	\$ 59,870	\$ -	\$ 719,111
Due from other funds	121,895	-	-	-	(121,895)	-
Due from other governments	-	362,072	-	1,411	-	363,483
Total assets	\$ 606,384	\$ 420,394	\$ 116,430	\$ 61,281	\$ (121,895)	\$ 1,082,594
Liabilities						
Accounts payable	\$ 20,950	\$ -	\$ -	\$ -	\$ -	\$ 20,950
Salary and benefits payable	42,740	23,206	-	-	-	65,946
Due to other funds	-	309,213	-	-	(121,895)	187,318
Due to other governments	-	26,881	-	-	-	26,881
Total liabilities	63,690	359,300	-	-	(121,895)	301,095
Deferred inflows of resources						
Unavailable revenue	-	103,064	-	-	-	103,064
Fund balance (deficit)						
Restricted	-	58,345	116,430	61,281	-	236,056
Assigned	409,013	-	-	-	-	409,013
Unassigned	133,681	(100,315)	-	-	-	33,366
Total fund balance (deficit)	542,694	(41,970)	116,430	61,281	-	678,435
Total liabilities, deferred inflows of resources, and fund balance (deficit)	\$ 606,384	\$ 420,394	\$ 116,430	\$ 61,281	\$ (121,895)	\$ 1,082,594

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

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

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

June 30, 2016

Total Fund balances - governmental funds		\$ 678,435
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		74,060
Some revenues will not be collected for several months after the Regional Office fiscal year ends; they are considered "unavailable" revenues and are deferred inflows of resources in the governmental funds		103,064
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds as follows:		
IMRF deferred outflows of resources	\$ 509,438	
TRS deferred outflows of resources	42,750	
TRS deferred inflows of resources	<u>(50,293)</u>	501,895
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
IMRF net pension liability	\$ (601,554)	
TRS net pension liability	<u>(373,191)</u>	<u>(974,745)</u>
Net position of governmental activities		<u><u>\$ 382,709</u></u>

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

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

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

For the Year Ended June 30, 2016

	General Fund	Education Fund	Institute	Other Nonmajor Funds	Eliminations	Total Governmental Funds
Revenues:						
Local sources	\$ 583,019	\$ 17,570	\$ 44,934	\$ 8,967	\$ -	\$ 654,490
Local sources-payments made on behalf of region	35,376	-	-	-	-	35,376
State sources	761,773	782,947	-	1,401	-	1,546,121
State sources-payments made on behalf of region	277,180	-	-	-	-	277,180
Federal sources	-	578,560	-	-	-	578,560
Interest	1,200	-	-	-	-	1,200
Total revenues	1,658,548	1,379,077	44,934	10,368	-	3,092,927
Expenditures:						
Instructional services						
Salaries and benefits	770,373	819,278	-	2,701	-	1,592,352
Purchased services	141,637	327,989	4,092	4,345	-	478,063
Supplies and materials	20,099	58,759	67	85	-	79,010
Pension expense	64,089	75,895	-	-	-	139,984
Payments to other governments	285,411	179,903	-	-	-	465,314
Payments made on behalf of region	312,556	-	-	-	-	312,556
Capital outlay	27,362	12,457	-	-	-	39,819
Total expenditures	1,621,527	1,474,281	4,159	7,131	-	3,107,098
Net change in fund balance	37,021	(95,204)	40,775	3,237	-	(14,171)
Fund balance - beginning (restated) - see note 13	505,673	53,234	75,655	58,044	-	692,606
Fund balance (deficit) - ending	<u>\$ 542,694</u>	<u>\$ (41,970)</u>	<u>\$ 116,430</u>	<u>\$ 61,281</u>	<u>\$ -</u>	<u>\$ 678,435</u>

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

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

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

For the Year Ended June 30, 2016

Net change in fund balances		\$ (14,171)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Some revenues will not be collected for several months after the Regional Office fiscal year ends, they are not considered "available" revenues and are deferred inflows of resources in the governmental funds.</p>		
Current year unavailable revenue		103,064
<p>Certain expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net pension expense		(25,492)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	\$ 39,819	
Depreciation	<u>(26,668)</u>	<u>13,151</u>
Change in net position of governmental activities		<u><u>\$ 76,552</u></u>

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

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

STATEMENT OF NET POSITION
PROPRIETARY FUND

JUNE 30, 2016

	Business-Type Activities
	Enterprise Fund Workshops
Assets	
Current assets	
Cash and cash equivalents	\$ 58,993
Due from other governments	6,479
Due from other funds	187,318
Total current assets	252,790
Noncurrent assets	
Capital assets, net of depreciation	-
Total noncurrent assets	-
Total assets	252,790
Liabilities	-
Net position	
Net investment in capital assets	-
Unrestricted	252,790
Total net position	\$ 252,790

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

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

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

For the Year Ended June 30, 2016

	Business-Type Activities
	Enterprise Fund Workshops
Operating revenues	
Charges for services	\$ 68,283
Total operating revenues	68,283
Operating expenses	
Salaries and benefits	36,565
Purchased services	44,802
Supplies and materials	7,351
Pension expense	207
Total operating expenses	88,925
Operating (loss)	(20,642)
Nonoperating revenue	
Gain on sale of capital assets	100
Total nonoperating revenue	100
Change in net position	(20,542)
Net position - beginning (restated - see note 13)	273,332
Net position - ending	\$ 252,790

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

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended June 30, 2016

	Business-Type Activities
	Enterprise Fund Workshops
Cash flows from operating activities:	
Collection of fees	\$ 105,629
Payments to suppliers and providers of goods and services	(52,153)
Payments to employees	(36,772)
Net cash provided by operating activities	16,704
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	100
Net cash provided by capital and related financing activities	100
Cash flows from noncapital financing activities:	
Payments for interfund borrowing, net	(134,541)
Net cash (used for) noncapital financing activities	(134,541)
Net (decrease) in cash and cash equivalents	(117,737)
Cash and cash equivalents - beginning, restated (see note 13)	176,730
Cash and cash equivalents - ending	\$ 58,993
Reconciliation of operating (loss) to net cash provided by operating activities:	
Operating (loss)	\$ (20,642)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Decrease in assets:	
Decrease in accounts receivable	33,000
Decrease in due from other governments	4,346
Net cash provided by operating activities	\$ 16,704

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

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

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2016

	<u>Agency Funds</u>
Assets	
Due from other governments	<u>\$ 544,493</u>
Total assets	<u><u>\$ 544,493</u></u>
Liabilities	
Due to other governments	<u>\$ 544,493</u>
Total liabilities	<u><u>\$ 544,493</u></u>

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

FINANCIAL REPORTING ENTITY

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

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

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education No. 3's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL REPORTING ENTITY (Continued)

For the period ended June 30, 2016, the Regional Office of Education No. 3 applied for, received, and administered several State and federal programs and grants in assistance and support of the educational activities of the school districts in Regional Office of Education No. 3. Such activities are reported as a single major special revenue fund (i.e. within the Education Fund).

Effective July 1, 2015, Bond, Fayette, and Effingham Counties Regional Office of Education No. 3 consolidated Christian and Montgomery Counties Regional Office of Education No. 10 into its educational service region. See Note 13 for restatement of opening fund balances.

SCOPE OF THE REPORTING ENTITY

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

The Regional Office of Education No. 3 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the Regional Office of Education No. 3, including districts or joint agreements which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the Regional Office of Education No. 3 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

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

NEW ACCOUNTING PRONOUNCEMENTS

In 2016, the Regional Office of Education No. 3 implemented Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*; and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The Regional Office of Education No. 3 implemented these standards during the current year. The implementation of GASB Statement No. 73 improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 76, reduced the GAAP hierarchy to two categories of authoritative GAAP and addressed the uses of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB Statement No. 72, *Fair Value Measurement and Application*, also became effective for the current year, but this statement had no impact on the Regional Office of Education No. 3's financial statements.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Regional Office of Education No. 3's activities with most of the interfund activities removed. Governmental activities include programs supported primarily by State and federal grants and other intergovernmental revenues. The Regional Office of Education No. 3 has one business-type activity that relies on fees and charges for support.

The Regional Office of Education No. 3's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present a summary of governmental and business-type activities for the Regional Office of Education No. 3 accompanied by a total column. These statements are presented on an "economic resources" measurement focus as prescribed by GASB Statement No. 34. All of the Regional Office of Education No. 3's assets, including capital assets, and deferred outflows of resources and liabilities and deferred inflows or resources, are included in the accompanying Statement of Net Position. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges for services and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

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

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

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

FUND ACCOUNTING

The Regional Office of Education No. 3 uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Regional Office of Education No. 3 uses governmental, proprietary funds and fiduciary funds.

GOVERNMENTAL FUNDS

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

As prescribed by GASB Statement No. 34, governmental and proprietary fund reporting focuses on the major funds, rather than on the fund type. There is a two-step process for determining if a fund should be reported as a major fund: 1) total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for the fund type, and 2) total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and proprietary funds combined. Funds that do not meet the major fund determination requirements are reported in aggregate as nonmajor funds. The Regional Office of Education No. 3 has presented all major funds that met the above qualifications.

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

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

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

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

Major special revenue funds include the following:

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

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

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

Substance Abuse Prevention Program – This program provides community substance abuse prevention services and substance abuse prevention education services to students in Christian County.

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

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

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

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

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

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

Agency Fund - Agency funds are used to account for assets held by the Regional Office of Education No. 3 in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is as follows:

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUND BALANCES

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

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

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

Committed Fund Balance - the portion of a Governmental Fund's net position with self-imposed constraints or limitations that have been placed at the highest level of decision making. The Regional Office of Education No. 3 has no committed fund balances.

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

Unassigned Fund Balance - available expendable financial resources in a governmental fund that are not designated for a specific purpose. The following accounts' fund balances are unassigned: General, County, EIU, and Adult Education & Family Literacy.

NET POSITION

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

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

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

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

BUDGET INFORMATION

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

CASH AND CASH EQUIVALENTS

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

INVENTORY

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

CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$500 or more and estimated useful lives of greater than one year are reported at historical cost or estimated historical cost. Leasehold improvements are capitalized if the cost exceeds \$3,000 and the improvements are expenses of the ROE rather than the property owner. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

COMPENSATED ABSENCES

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ESTIMATES

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

REVENUE FROM FEDERAL AND STATE GRANTS

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

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources are reported in the government fund financial statements as unavailable revenue and represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay for liabilities of the current year. Deferred inflows of resources in the Statement of Net Position consist of grant receivables not collected within sixty days after year end.

2 DEPOSITS AND INVESTMENTS

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

BANK DEPOSITS

At June 30, 2016, the carrying amount of the Regional Office of Education No. 3's Government-wide deposits were \$778,104, and the bank balances were \$935,525. Of the total bank balances as of June 30, 2016, \$295,351 was secured by federal depository insurance and \$640,174 was collateralized by securities pledged by the Regional Office of Education No. 3's financial institution in the name of the Regional Office.

CUSTODIAL CREDIT RISK

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

2 DEPOSITS AND INVESTMENTS (Continued)

CUSTODIAL CREDIT RISK (Continued)

To guard against custodial credit risk for deposits with financial institutions, the Bond, Christian, Fayette, Effingham and Montgomery Counties Regional Office of Education No. 3's investment policy requires that deposits with financial institutions in excess of FDIC limits be secured by some form of collateral, by a written agreement, and held at an independent, third-party institution in the name of the Bond, Christian, Fayette, Effingham and Montgomery Counties Regional Office of Education No. 3.

INVESTMENTS

The Regional Office of Education No. 3's, only investments are internally pooled in the Illinois Funds Money Market Fund. As of June 30, 2016, the Regional Office of Education No. 3 had investments with carrying and fair value of \$0 invested in the Illinois Funds Money Market Fund.

CREDIT RISK

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

INTEREST RATE RISK

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

CONCENTRATION OF CREDIT RISK

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

3 CAPITAL ASSETS

In accordance with GASB Statement No. 34, the Regional Office of Education No. 3 has reported capital assets in the government-wide Statement of Net Position. Purchases are reported as capital outlay in the governmental fund statements. Purchases are capitalized when purchased for business-type activities. The following table provides a summary of changes in capital assets, accumulated depreciation, and investment in capital assets for the year ended June 30, 2016:

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

3 CAPITAL ASSETS (Continued)

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental activities				
Office equipment and furniture	\$ 67,623	\$ 5,117	\$ 12,186	\$ 60,554
Computer equipment	89,183	565	17,101	72,647
Other equipment and leasehold improvements	69,204	34,137	5,570	97,771
Governmental activities total assets	<u>226,010</u>	<u>39,819</u>	<u>34,857</u>	<u>230,972</u>
Less accumulated depreciation	<u>165,101</u>	<u>26,668</u>	<u>34,857</u>	<u>156,912</u>
Governmental activities investment in capital assets, net	<u>\$ 60,909</u>	<u>\$ 13,151</u>	<u>\$ -</u>	<u>\$ 74,060</u>
Business-type activities				
Office equipment and furniture	\$ 20,630	\$ -	\$ 1,383	\$ 19,247
Computer equipment	18,357	-	-	18,357
Other equipment and leasehold improvements	18,100	-	-	18,100
Business-type activities total assets	<u>57,087</u>	<u>-</u>	<u>1,383</u>	<u>55,704</u>
Less accumulated depreciation	<u>57,087</u>	<u>-</u>	<u>1,383</u>	<u>55,704</u>
Business-type activities investment in capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2016 of \$26,668 and \$0 was charged to governmental activities - instructional services and business-type activities, respectively, on the government-wide Statement of Activities. Investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation.

4 DEFINED BENEFIT PENSION PLAN - ILLINOIS MUNICIPAL RETIREMENT FUND

IMRF PLAN DESCRIPTION

The Regional Office of Education No. 3's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The Regional Office of Education No. 3's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of an agent multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this note. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

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

BENEFITS PROVIDED

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

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

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

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

EMPLOYEES COVERED BY BENEFIT TERMS

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

	IMRF
Retirees and Beneficiaries currently receiving benefits	19
Inactive Plan Members entitled to but not yet receiving benefits	29
Active Plan Members	27
Total	<u>75</u>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

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

CONTRIBUTIONS

As set by statute, the Regional Office of Education No. 3's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Regional Office of Education No. 3's annual contribution rate for calendar year 2015 was 13.11%. For the calendar year ended December 31, 2015, the Regional Office of Education No. 3 contributed \$111,979 to the plan. The Regional Office of Education No. 3 also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

NET PENSION LIABILITY

The Regional Office of Education No. 3's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

ACTUARIAL ASSUMPTIONS

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

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2015:

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

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

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

SINGLE DISCOUNT RATE

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

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

CHANGES IN THE NET PENSION LIABILITY

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2014	\$ 4,104,601	\$ 3,769,911	\$ 334,690
Changes for the year:			
Service Cost	47,482	-	47,482
Interest on the Total Pension Liability	176,324	-	176,324
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	171,345	-	171,345
Changes of Assumptions	-	-	-
Contributions - Employer	-	111,979	(111,979)
Contributions - Employees	-	38,434	(38,434)
Net Investment Income	-	(25,749)	25,749
Benefit Payments, including Refunds of Employee Contributions	(116,039)	(116,039)	-
Other (Net Transfer)	-	3,623	(3,623)
Net Changes	<u>279,112</u>	<u>12,248</u>	<u>266,864</u>
Balances at December 31, 2015	<u>\$ 4,383,713</u>	<u>\$ 3,782,159</u>	<u>\$ 601,554</u>

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

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

	1% Lower (6.50%)	Current Discount (7.50%)	1% Higher (8.50%)
Net Pension Liability	\$ 1,195,271	\$ 601,554	\$ 116,854

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

For the year ended June 30, 2016, the Regional Office of Education No. 3 recognized pension expense of \$141,232. At June 30, 2016, the Regional Office of Education No. 3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

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

	Deferred Outflows of Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>	
Differences between expected and actual experience	\$ 158,023
Changes of assumptions	52,811
Net difference between projected and actual earnings on pension plan investments	238,398
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	449,232
<i>Pension contributions made subsequent to the measurement date</i>	60,206
Total Deferred Amounts Related to Pensions	\$ 509,438

\$60,206 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, 2017.

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

Year Ending December 31	Net Deferred Outflows of Resources
2016	\$ 186,363
2017	181,461
2018	68,926
2019	12,482
2020	-
Thereafter	-
Total	\$ 449,232

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

5 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

The Regional Office of Education No. 3 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

TRS issues a publicly available financial report that can be obtained at <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.

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

CONTRIBUTIONS

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

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2016 was 9.4 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the Regional Office of Education No. 3.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

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

ON BEHALF CONTRIBUTIONS TO TRS

The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education No. 3. For the year ended June 30, 2016, the State of Illinois contributions recognized by the Regional Office of Education No. 3 were based on the State's proportionate share of collective net pension liability associated with the Regional Office of Education No. 3, and the Regional Office of Education No. 3 recognized revenue and expenditures of \$254,878 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, 2016 were \$3,572 and are deferred because they were paid after the June 30, 2015 measurement date.

FEDERAL AND SPECIAL TRUST FUND CONTRIBUTIONS

When TRS members are paid from federal and special trust funds administered by the Regional Office of Education No. 3, there is a statutory requirement for the Regional Office of Education No. 3 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2016, the employer pension contribution was 36.06 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2016, salaries totaling \$52,932 were paid from federal and special trust funds that required employer contributions of \$19,087. These contributions are deferred because they were paid after the June 30, 2015 measurement date.

EMPLOYER RETIREMENT COST CONTRIBUTIONS

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

The Regional Office of Education No. 3 is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2016, the Regional Office of Education No. 3 made no payments to TRS for employer contributions due on salary increases in excess of 6 percent and no payments for sick leave days granted in excess of the normal allotment.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

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

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

At June 30, 2016, the Regional Office of Education No. 3 reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for State pension support provided to the employer. The State's support and total are for disclosure purposes only. The amount recognized by the employer as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the employer were as follows:

Employers proportionate share of the net pension liability	\$	373,191
State's proportionate share of the net pension liability associated with the employer		3,110,988
		\$ 3,484,179

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, and rolled forward to June 30, 2015. The Regional Office of Education No. 3's proportion of the net pension liability was based on the Regional Office of Education No. 3's share of contributions to TRS for the measurement year ended June 30, 2015, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2015, the Regional Office of Education No. 3's proportion was 0.0005696699 percent, which was an increase of 0.0000145312 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Regional Office of Education No. 3 recognized pension expense of \$254,878 and revenue of \$254,878 for support provided by the State. For the year ended June 30, 2016, the Regional Office of Education No. 3 recognized pension expense of \$20,090. At June 30, 2016, the Regional Office of Education No. 3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 139	\$ 409
Net difference between projected and actual earnings on pension plan investments	7,391	13,068
Changes in assumptions	5,161	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	7,400	36,816
Employer contributions subsequent to the measurement date	22,659	-
	\$ 42,750	\$ 50,293

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

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

\$22,659 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized by the Regional Office of Education #3 as a reduction of their net pension liabilities in the reporting year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	(11,172)
2018		(11,172)
2019		(11,172)
2020		3,314
2021		-
	\$	<u>(30,202)</u>

ACTUARIAL ASSUMPTIONS

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

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

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

DISCOUNT RATE

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

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

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

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

The following presents the Regional Office of Education #3's proportionate share of the net pension liability calculated using the discount rate of 7.47 percent, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.47 percent) or 1-percentage-point higher (8.47 percent) than the current rate.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

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

	1% Decrease (6.47%)	Current Discount Rate (7.47%)	1% Increase (8.47%)
Employer's proportionate share of the net pension liability	\$ 461,173	\$ 373,191	\$ 301,044

TRS FIDUCIARY NET POSITION

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

6 OTHER POST EMPLOYMENT BENEFITS

TEACHER'S HEALTH INSURANCE SECURITY FUND

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

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

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

ON BEHALF CONTRIBUTIONS TO THE THIS FUND

The State of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office of Education No. 3. State contributions are intended to match contributions to the THIS Fund from active members which were 1.07 percent of pay during the year ended June 30, 2016. State of Illinois contributions were \$6,590, and the Regional Office of Education No. 3 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2015 and June 30, 2014, were 1.02 and 0.97 percent of pay, respectively. State contributions on behalf of the Regional Office of Education employees were \$4,901 and \$3,818, respectively.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

6 OTHER POST EMPLOYMENT BENEFITS (Continued)

EMPLOYER CONTRIBUTIONS TO THE THIS FUND

The Regional Office of Education No. 3 also makes contributions to the THIS Fund. The Regional Office of Education No. 3's THIS Fund contribution was 0.80 percent during the year ended June 30, 2016, and 0.76 and 0.72 percent during the years ended June 30, 2015 and June 30, 2014, respectively. For the year ended June 30, 2016, the Regional Office of Education No. 3 paid \$4,927 to the THIS Fund, which was 100 percent of the required contribution. For the years ended June 30, 2015 and June 30, 2014, the Regional Office of Education No. 3 paid \$3,652 and \$2,834, respectively, which was 100 percent of the required contribution.

FURTHER INFORMATION ON THIS FUND

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

7 INTERFUND ACTIVITY

DUE TO/FROM OTHER FUNDS

Interfund due to/from other fund balances at June 30, 2016 consist of the following individual due to/from other funds in the governmental fund Balance Sheet and proprietary fund Statement of Net Position. The balances between governmental funds were eliminated in the government-wide Statement of Net Position. The balances between governmental and business-type activities were not eliminated in the government-wide Statement of Net Position. The loans were used to cover cash shortages in the Education Fund.

Fund	Due from Other Funds	Due to Other Funds
General Fund		
Truants Alternative/Optional Education GSA	\$ 121,895	\$ -
Education Fund		
ROE/ISC Operations	-	80,642
Truants Alternative Optional Education	-	11,796
Adult Education & Family Literacy	-	107,895
Regional Safe Schools	-	11,519
McKinney Education for Homeless Children	-	64,813
Title II - Teacher Quality Leadership Grant	-	1,000
Early Childhood Block Grant	-	20,264
Substance Abuse Prevention Program	-	11,284
Proprietary Fund		
Enterprise Fund Workshops	187,318	-
Total	\$ 309,213	\$ 309,213

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

8 RISK MANAGEMENT

The Regional Office of Education No. 3 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Regional Office of Education No. 3 has purchased commercial insurance to cover these risks. No losses have been incurred in excess of the amounts covered by insurance over the past three years.

9 ON BEHALF PAYMENTS

Bond County, Christian County, and Fayette County paid certain benefits on behalf of the Regional Office of Education No. 3. The benefits paid on the Regional Office of Education No. 3's behalf for the year ended June 30, 2016, were as follows:

Bond County	
Office Staff Benefits	\$ 10,552
Christian County	
Office Staff Benefits	8,513
Fayette County	
Office Staff Benefits	<u>16,311</u>
	<u>\$ 35,376</u>

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

Regional Superintendent Salary	\$ 112,008
Regional Superintendent Fringe Benefit (Includes State paid insurance)	35,575
Assistant Regional Superintendent Salary	100,812
Assistant Regional Superintendent Fringe Benefit (Includes State paid insurance)	22,195
THIS Contributions	<u>6,590</u>
Total	<u>\$ 277,180</u>

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

The Regional Office of Education No. 3 also recorded \$254,878 in revenue and expenses as on behalf payments from ISBE for the Regional Office's share of the State's Teachers' Retirement System (TRS) pension expense in the Statement of Activities. In addition, the Regional Office of Education No. 3 has not included any on behalf payments related to the State's TRS pension expense for the Regional Superintendent or Assistant Regional Superintendent.

Bond, Christian, and Fayette County County on behalf payments	\$ 35,376
State of Illinois on behalf payments	277,180
ROE No. 3's share of TRS pension expense	<u>254,878</u>
Total	<u>\$ 567,434</u>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

10 DUE TO/FROM OTHER GOVERNMENTS

The Regional Office of Education No. 3's General Fund, Education Fund, and Fiduciary Fund have funds due from/to various other governmental units which consist of the following:

Due from Other Governments

Education Fund

Illinois State Board of Education	\$	235,297
Illinois Community College Board		115,491
Department of Human Services		11,284
		362,072

Nonmajor Special Revenue Funds:

Illinois State Board of Education		1,401
Local Governments		10
		1,411

Proprietary Fund:

Regional Office of Education No. 50		6,479
-------------------------------------	--	-------

Fiduciary Fund:

Illinois Department of Revenue		544,493
	\$	914,455

Due to Other Governments

Education Fund

Illinois State Board of Education	\$	20,390
Regional Office of Education No. 45		6,432
Local Governments		59
		26,881

Fiduciary Fund:

Local Governments		544,493
	\$	571,374

11 OPERATING LEASE

The Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3 has entered into operating leases through June 30, 2016 for its Alternative Education Programs to provide classroom space for the FOCUS and New Approach Schools and office space for grant programs. The Bond, Christian, Effingham Fayette, and Montgomery Counties Regional Office of Education No. 3 also entered into an operating lease for its Alternative Education Programs to provide classroom space and office space for general use at the West Side School through June 30, 2016. Rent expense for 2016 totaled \$88,500. Unless written notice is given to the party desiring to terminate the lease, these lease contracts are automatically renewed on an annual basis. The rent expense is determined at the annual renewal.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

11 OPERATING LEASE (Continued)

The Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3 has entered into operating lease agreements for two copiers. The two copier leases will be renewed in FY17 and a third copier lease will be added in FY17. Rent expense for 2016 totaled \$2,455. Future minimum rentals are as follows for the year ending June 30:

2017	\$	4,142
2018		4,704
2019		4,704
2020		4,704
2021		4,704
Thereafter		<u>1,176</u>
Total	\$	<u>24,134</u>

12 DEFICIT FUND BALANCE

Because some revenues from the State of Illinois will not be collected for several months after the Regional Office's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. The deferral of the revenues caused a deficit fund balance of \$(100,315) as of June 30, 2016 in the Adult Education & Family Literacy account.

13 REGIONAL OFFICE OF EDUCATION CONSOLIDATION

On November 22, 2013, the Illinois State Board of Education adopted a motion pursuant to its obligation under 105 ILCS 5/3A-4(a), which recognized consolidations agreed to via county board resolutions prior to June 30, 2013, and directed certain other consolidations. Effective July 1, 2015, Bond, Fayette, and Effingham Counties Regional Office of Education No. 3 consolidated Christian and Montgomery Counties Regional Office of Education No. 10 into its educational service region.

The Regional Office of Education No. 3 reclassified the opening fund balance for the Governmental funds and Proprietary fund due to the consolidation. The opening fund balance for the Governmental funds was also restated for a prior period adjustment as disclosed below.

During the consolidation, the Regional Office of Education No. 3 acquired capital assets with a value of \$19,734. These capital assets are reflected in the July 1, 2015 balance of Governmental Activities. The opening net position of the governmental activities on the government-wide Statement of Activities has been restated. See also Note 3 for changes in the capital asset values.

The Regional Office of Education No. 3 implemented GASB Statement No. 68 and 71 in fiscal year 2015 and, therefore, restated July 1, 2014, net pension to recognize net pension asset, net pension liability, and the related deferred outflows related to pensions. During the consolidation process, the Regional Office of Education No. 3 acquired the deferred outflows of resources and net pension liability related to Christian and Montgomery Counties Regional Office of Education No. 10, a reduction in net position of \$(89,564).

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

13 REGIONAL OFFICE OF EDUCATION CONSOLIDATION (Continued)

The following beginning balances have been restated as follows:

General fund

Fund balance - beginning	\$	496,835
Effect of consolidation on opening fund balance		20,266
		517,101
Fund balance - beginning, restated		(11,428)
		\$ 505,673

Institute fund

Fund balance - beginning	\$	48,785
Effect of consolidation on opening fund balance		26,870
		\$ 75,655

Nonmajor special revenue funds

Fund balance - beginning	\$	34,024
Effect of consolidation on opening fund balance		24,020
		\$ 58,044

Proprietary Fund

Net position - beginning	\$	269,128
Effect of consolidation on opening net position		4,204
		\$ 273,332

Governmental activities net position

Net position - July 1, 2015	\$	316,259
Effect of consolidation on opening net position		71,156
Effect of recognizing net deferred outflows and net pension liability		(89,564)
Effect of consolidation on fair market value of capital assets		19,734
		317,585
Net position - restated July 1, 2015		(11,428)
		\$ 306,157

Business-type activities net position

Net position - beginning	\$	269,128
Effect of consolidation on opening net position		4,204
		\$ 273,332

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

13 REGIONAL OFFICE OF EDUCATION CONSOLIDATION (Continued)

During the consolidation, the Regional Office of Education No. 3 received \$4,204 in cash and cash equivalents related to business-type activities. The beginning cash balance of the business-type activities on the Proprietary Fund Statement of Cash Flows have been restated to reflect this cash balance as follows:

<u>Business-type activities cash</u>	
Cash and cash equivalents - beginning	\$ 172,526
Effect of consolidation on opening cash and cash equivalents balance	<u>4,204</u>
Cash and cash equivalents - beginning, restated	<u><u>\$ 176,730</u></u>

Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3 began operations on July 1, 2015, and was formed from the merger of Christian and Montgomery Counties Regional Office of Education No. 10 and Bond, Effingham, and Fayette Counties Regional Office of Education No. 3. The merger resulted from the Illinois Board of Education's adoption of a motion pursuant to its obligation under 105 ILCS 5/3A-4(a), which recognized consolidations agreed to via county board resolutions prior to June 30, 2013. The initial opening balances of Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, as of the beginning of the period, were determined on the basis of the carrying values reported in the separate financial statements of Christian and Montgomery Counties Regional Office of Education No. 10 and Bond, Effingham, and Fayette Counties Regional Office of Education No. 3 as of July 1, 2015 as follows:

	<u>Merger of Operations as of July 1, 2015</u>		
	<u>ROE No. 3</u>	<u>ROE No. 10</u>	<u>Total</u>
Total current assets	\$ 1,007,769	\$ 101,190	\$ 1,108,959
Total noncurrent assets	41,175	19,374	60,549
Total assets	<u>1,048,944</u>	<u>120,564</u>	<u>1,169,508</u>
Deferred outflows of resources	<u>150,188</u>	<u>140,587</u>	<u>290,775</u>
Total current liabilities	105,763	25,830	131,593
Total noncurrent liabilities	442,387	230,151	672,538
Total liabilities	<u>548,150</u>	<u>255,981</u>	<u>804,131</u>
Deferred inflows of resources	<u>65,595</u>	<u>-</u>	<u>65,595</u>
Net position:			
Investment in capital assets	41,175	19,734	60,909
Restricted - other	136,043	50,890	186,933
Unrestricted	408,169	(65,094)	343,075
Total net position	<u>585,387</u>	<u>5,530</u>	<u>590,917</u>
Prior period adjustment - note 14	(11,428)	-	(11,428)
Total net position, restated	<u><u>\$ 573,959</u></u>	<u><u>\$ 5,530</u></u>	<u><u>\$ 579,489</u></u>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

14 PRIOR PERIOD ADJUSTMENT

In the prior year, the Bond, Christian, Effingham, Fayette, and Montgomery Counties Regional Office of Education No. 3 did not record tuition expense payable to Okaw Area Vocational Center for FY15 student attendance billed in FY16. Accordingly, beginning equity has been restated as shown below:

	<u>General Fund</u>
Fund balance - beginning, restated for consolidation - note 13	\$ 517,101
Purchased services	<u>(11,428)</u>
Fund balance - beginning, restated	<u>\$ 505,673</u>
	<u>Governmental Activities</u>
Net position - beginning, restated for consolidation - note 13	\$ 317,585
Purchased services	<u>(11,428)</u>
Net position - beginning, restated	<u>\$ 306,157</u>

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

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

SCHEDULE OF THE EMPLOYER'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
Teacher's Retirement System of the State of Illinois
For the Year Ended June 30, 2016

	2015*	2014*
Employer's proportion of the net pension liability	0.0005696699%	0.0005551387%
Employer's proportionate share of the net pension liability	\$ 373,191	\$ 337,848
State's proportionate share of the net pension liability associated with the employer	3,110,988	2,428,738
Total	\$ 3,484,179	\$ 2,766,586
Employer's covered-employee payroll	\$ 481,735	\$ 400,502
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	77.5%	84.4%
Plan fiduciary net position as a percentage of the total pension liability	41.5%	43.0%

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Teacher's Retirement System of the State of Illinois
For the Year Ended June 30, 2016

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

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

Notes to Required Supplementary Information

Changes of assumptions

Amounts reported in 2015 reflect an investment rate of return of 7.50 percent, an inflation rate of 3.00 percent and real return of 4.50 percent, and salary increases that vary by service credit. In 2014, assumptions used were an investment rate of return of 7.50 percent, an inflation rate of 3.00 percent and real return of 4.50 percent, and salary increases of 5.75 percent.

See accompanying Independent Auditors' Report.

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Illinois Municipal Retirement Fund
Last Two Calendar Years

Calendar Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2014	\$ 122,487	\$ 123,623	\$ (1,136)	\$ 814,920	15.17%
2015	109,834	111,979	(2,145)	854,076	13.11%

Notes to Schedule:

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

Valuation Date:

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

Methods and Assumptions Used to Determine 2015 Contribution Rates:

<i>Actuarial Cost Method:</i>	Aggregate entry age = normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	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, 2013, actuarial valuation; note two year lag between valuation and rate setting.

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

See accompanying Independent Auditors' Report.

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

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

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

Notes to Schedule:

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

See accompanying Independent Auditors' Report.

SUPPLEMENTAL INFORMATION

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

COMBINING SCHEDULE OF ACCOUNTS
 GENERAL FUND

JUNE 30, 2016

	<u>General</u>	<u>County</u>	<u>EIU</u>
Assets			
Cash and cash equivalents	\$ 77,543	\$ 58,215	\$ 586
Due from other funds	-	-	-
	<u>77,543</u>	<u>58,215</u>	<u>586</u>
Total assets	<u>\$ 77,543</u>	<u>\$ 58,215</u>	<u>\$ 586</u>
Liabilities			
Accounts payable	\$ -	\$ 76	\$ -
Salary and benefits payable	-	2,587	-
	<u>-</u>	<u>2,663</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>2,663</u>	<u>-</u>
Fund balance			
Assigned	-	-	-
Unassigned	77,543	55,552	586
	<u>77,543</u>	<u>55,552</u>	<u>586</u>
Total fund balance	<u>77,543</u>	<u>55,552</u>	<u>586</u>
	<u>\$ 77,543</u>	<u>\$ 58,215</u>	<u>\$ 586</u>
Total liabilities and fund balance	<u>\$ 77,543</u>	<u>\$ 58,215</u>	<u>\$ 586</u>

See accompanying Independent Auditors' Report.

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

COMBINING SCHEDULE OF ACCOUNTS
 GENERAL FUND (Continued)

JUNE 30, 2016

	Attendance Officer	Curriculum COOP	Truants Alternative/ Optional Education GSA
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 9,822	\$ 7,619	\$ 171,752
Due from other funds	-	-	121,895
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 9,822</u></u>	<u><u>\$ 7,619</u></u>	<u><u>\$ 293,647</u></u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ 9,374
Salary and benefits payable	618	-	26,990
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>618</u>	<u>-</u>	<u>36,364</u>
Fund balance			
Assigned	9,204	7,619	257,283
Unassigned	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>9,204</u>	<u>7,619</u>	<u>257,283</u>
Total liabilities and fund balance	<u><u>\$ 9,822</u></u>	<u><u>\$ 7,619</u></u>	<u><u>\$ 293,647</u></u>

See accompanying Independent Auditors' Report.

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

COMBINING SCHEDULE OF ACCOUNTS
 GENERAL FUND (Continued)

JUNE 30, 2016

	Regional Safe Schools Program GSA	Tuition	Total
Assets			
Cash and cash equivalents	\$ 118,367	\$ 40,585	\$ 484,489
Due from other funds	-	-	121,895
	<u>118,367</u>	<u>40,585</u>	<u>121,895</u>
Total assets	<u>\$ 118,367</u>	<u>\$ 40,585</u>	<u>\$ 606,384</u>
Liabilities			
Accounts payable	\$ -	\$ 11,500	\$ 20,950
Salary and benefits payable	12,545	-	42,740
	<u>12,545</u>	<u>11,500</u>	<u>63,690</u>
Total liabilities	<u>12,545</u>	<u>11,500</u>	<u>63,690</u>
Fund balance			
Assigned	105,822	29,085	409,013
Unassigned	-	-	133,681
	<u>105,822</u>	<u>29,085</u>	<u>542,694</u>
Total fund balance	<u>105,822</u>	<u>29,085</u>	<u>542,694</u>
Total liabilities and fund balance	<u>\$ 118,367</u>	<u>\$ 40,585</u>	<u>\$ 606,384</u>

See accompanying Independent Auditors' Report.

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

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

For the Year Ended June 30, 2016

	General	County	EIU
Revenues			
Local sources	\$ 147,687	\$ 278,603	\$ -
Local sources-payments made on behalf of region	35,376	-	-
State sources	-	-	-
State sources-payments made on behalf of region	277,180	-	-
Interest	1,067	-	-
Total revenues	461,310	278,603	-
Expenditures			
Salaries and benefits	107,796	197,352	-
Purchased services	11,895	25,072	-
Supplies and materials	350	4,021	-
Capital outlay	9,865	650	-
Pension expense	6,588	20,674	-
Payments to other governments	-	-	-
Payments made on behalf of region	312,556	-	-
Total expenditures	449,050	247,769	-
Net change in fund balance	12,260	30,834	-
Fund balance - beginning (restated - see note 13)	65,283	24,718	586
Fund balance - ending	<u>\$ 77,543</u>	<u>\$ 55,552</u>	<u>\$ 586</u>

See accompanying Independent Auditors' Report.

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

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

For the Year Ended June 30, 2016

	Attendance Officer	Curriculum COOP	Truants Alternative/ Optional Education GSA
Revenues			
Local sources	\$ 13,465	\$ -	\$ 775
Local sources-payments made on behalf of region	-	-	-
State sources	-	-	399,972
State sources-payments made on behalf of region	-	-	-
Interest	-	-	133
	<u>13,465</u>	<u>-</u>	<u>400,880</u>
Total revenues			
Expenditures			
Salaries and benefits	6,543	-	319,677
Purchased services	3,384	545	48,467
Supplies and materials	-	-	4,230
Capital outlay	-	-	16,282
Pension expense	834	-	29,526
Payments to other governments	-	-	-
Payments made on behalf of region	-	-	-
	<u>10,761</u>	<u>545</u>	<u>418,182</u>
Total expenditures			
Net change in fund balance	2,704	(545)	(17,302)
Fund balance - beginning (restated - see note 13)	<u>6,500</u>	<u>8,164</u>	<u>274,585</u>
Fund balance - ending	<u>\$ 9,204</u>	<u>\$ 7,619</u>	<u>\$ 257,283</u>

See accompanying Independent Auditors' Report.

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

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

For the Year Ended June 30, 2016 (Continued)

	Regional Safe Schools Program GSA	Tuition	Total
Revenues			
Local sources	\$ 104,954	\$ 37,535	\$ 583,019
Local sources-payments made on behalf of region	-	-	35,376
State sources	361,801	-	761,773
State sources-payments made on behalf of region	-	-	277,180
Interest	-	-	1,200
	<u>466,755</u>	<u>37,535</u>	<u>1,658,548</u>
Expenditures			
Salaries and benefits	139,005	-	770,373
Purchased services	24,837	27,437	141,637
Supplies and materials	5,562	5,936	20,099
Capital outlay	-	565	27,362
Pension expense	6,467	-	64,089
Payments to other governments	285,411	-	285,411
Payments made on behalf of region	-	-	312,556
	<u>461,282</u>	<u>33,938</u>	<u>1,621,527</u>
Net change in fund balance	5,473	3,597	37,021
Fund balance - beginning (restated - see note 13)	<u>100,349</u>	<u>25,488</u>	<u>505,673</u>
Fund balance - ending	<u>\$ 105,822</u>	<u>\$ 29,085</u>	<u>\$ 542,694</u>

See accompanying Independent Auditors' Report.

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

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND

JUNE 30, 2016

	ROE/ISC Operations	Truants Alternative/ Optional Education	Adult Education & Family Literacy	Regional Safe Schools
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Due from other governments	80,642	24,864	115,491	14,061
Total assets	\$ 80,642	\$ 24,864	\$ 115,491	\$ 14,061
Liabilities				
Salary and benefits payable	\$ -	\$ 13,068	\$ 7,596	\$ 2,542
Due to other funds	80,642	11,796	107,895	11,519
Due to other governments	-	-	-	-
Total liabilities	80,642	24,864	115,491	14,061
Deferred inflows of resources				
Unavailable revenue	-	-	100,315	-
Fund balance (deficit)				
Restricted	-	-	-	-
Unassigned	-	-	(100,315)	-
Total fund balance (deficit)	-	-	(100,315)	-
Total liabilities, deferred inflows of resources, and fund balance (deficit)	\$ 80,642	\$ 24,864	\$ 115,491	\$ 14,061

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

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND (Continued)

JUNE 30, 2016

	McKinney Education for Homeless Children	Title II - Teacher Quality - Leadership Grant	Alternative Education Programs - Other	Title I - School Improvement System of Support
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 58,322	\$ -
Due from other governments	71,245	1,000	2,831	-
Total assets	\$ 71,245	\$ 1,000	\$ 61,153	\$ -
Liabilities				
Salary and benefits payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	64,813	1,000	-	-
Due to other governments	6,432	-	59	-
Total liabilities	71,245	1,000	59	-
Deferred inflows of resources				
Unavailable revenue	-	-	2,749	-
Fund balance (deficit)				
Restricted	-	-	58,345	-
Unassigned	-	-	-	-
Total fund balance (deficit)	-	-	58,345	-
Total liabilities, deferred inflows of resources, and fund balance (deficit)	\$ 71,245	\$ 1,000	\$ 61,153	\$ -

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

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND (Continued)

JUNE 30, 2016

	Early Childhood Block Grant	Substance Abuse Prevention Program	New Teacher Induction & Mentoring	Total
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 58,322
Due from other governments	40,654	11,284	-	362,072
Total assets	\$ 40,654	\$ 11,284	\$ -	\$ 420,394
Liabilities				
Salary and benefits payable	\$ -	\$ -	\$ -	\$ 23,206
Due to other funds	20,264	11,284	-	309,213
Due to other governments	20,390	-	-	26,881
Total liabilities	40,654	11,284	-	359,300
Deferred inflows of resources				
Unavailable revenue	-	-	-	103,064
Fund balance (deficit)				
Restricted	-	-	-	58,345
Unassigned	-	-	-	(100,315)
Total fund balance (deficit)	-	-	-	(41,970)
Total liabilities, deferred inflows of resources, and fund balance (deficit)	\$ 40,654	\$ 11,284	\$ -	\$ 420,394

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

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

For the Year Ended June 30, 2016

	ROE/ISC Operations	Truants Alternative/ Optional Education	Adult Education & Family Literacy	Regional Safe Schools
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	80,642	162,364	-	80,111
Federal sources	-	-	48,360	-
Total revenues	<u>80,642</u>	<u>162,364</u>	<u>48,360</u>	<u>80,111</u>
Expenditures				
Salaries and benefits	76,473	148,665	92,192	26,925
Purchased services	453	4,812	49,006	49,755
Supplies and materials	-	-	7,477	-
Capital outlay	-	-	-	-
Pension expense	3,716	8,887	-	3,431
Payments to other governments	-	-	-	-
Total expenditures	<u>80,642</u>	<u>162,364</u>	<u>148,675</u>	<u>80,111</u>
Net change in fund balance (deficit)	-	-	(100,315)	-
Fund balance - beginning	-	-	-	-
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (100,315)</u>	<u>\$ -</u>

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

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

For the Year Ended June 30, 2016

	McKinney Education for Homeless Children	Title II - Teacher Quality - Leadership Grant	Alternative Education Programs - Other	Title I - School Improvement System of Support
Revenues				
Local sources	\$ -	\$ -	\$ 17,570	\$ -
State sources	-	-	626	-
Federal sources	312,385	3,000	70,777	80,000
Total revenues	<u>312,385</u>	<u>3,000</u>	<u>88,973</u>	<u>80,000</u>
Expenditures				
Salaries and benefits	114,031	-	-	6,176
Purchased services	23,731	3,000	80,792	69,018
Supplies and materials	3,022	-	3,070	2,593
Capital outlay	1,374	-	-	-
Pension expense	13,224	-	-	2,213
Payments to other governments	157,003	-	-	-
Total expenditures	<u>312,385</u>	<u>3,000</u>	<u>83,862</u>	<u>80,000</u>
Net change in fund balance (deficit)	-	-	5,111	-
Fund balance - beginning	-	-	53,234	-
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,345</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report.

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

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

For the Year Ended June 30, 2016

	Early Childhood Block Grant	Substance Abuse Prevention Program	New Teacher Induction & Mentoring	Total
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ 17,570
State sources	426,804	-	32,400	782,947
Federal sources	-	64,038	-	578,560
Total revenues	<u>426,804</u>	<u>64,038</u>	<u>32,400</u>	<u>1,379,077</u>
Expenditures				
Salaries and benefits	306,985	47,831	-	819,278
Purchased services	36,267	7,841	3,314	327,989
Supplies and materials	33,776	2,635	6,186	58,759
Capital outlay	11,083	-	-	12,457
Pension expense	38,693	5,731	-	75,895
Payments to other governments	-	-	22,900	179,903
Total expenditures	<u>426,804</u>	<u>64,038</u>	<u>32,400</u>	<u>1,474,281</u>
Net change in fund balance (deficit)	-	-	-	(95,204)
Fund balance - beginning	-	-	-	53,234
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (41,970)</u>

See accompanying Independent Auditors' Report.

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

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ROE/ISC OPERATIONS

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 80,562	\$ 80,642	\$ 80,642
Expenditures			
Salaries and benefits	80,211	80,211	80,189
Purchased services	351	431	453
Total expenditures	80,562	80,642	80,642
Net change in fund balance	\$ -	\$ -	-
Fund balance - beginning			-
Fund balance - ending			\$ -

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

See accompanying Independent Auditors' Report.

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

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TRUANTS ALTERNATIVE/OPTIONAL EDUCATION

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 162,364	\$ 162,364	\$ 162,364
Expenditures			
Salaries and benefits	157,552	157,552	157,552
Purchased services	4,812	4,812	4,812
Total expenditures	162,364	162,364	162,364
Net change in fund balance	\$ -	\$ -	-
Fund balance - beginning			-
Fund balance - ending			\$ -

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

See accompanying Independent Auditors' Report.

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

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ADULT EDUCATION & FAMILY LITERACY

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
Federal sources	\$ 48,360	\$ 48,360	\$ 48,360
State sources	100,315	100,315	-
Total revenue	<u>148,675</u>	<u>148,675</u>	<u>48,360</u>
Expenditures			
Salaries and benefits	92,192	92,192	92,192
Purchased services	49,983	49,983	49,006
Supplies and materials	6,500	6,500	7,477
Total expenditures	<u>148,675</u>	<u>148,675</u>	<u>148,675</u>
Net change in fund balance (deficit)	<u>\$ -</u>	<u>\$ -</u>	(100,315)
Fund balance - beginning			<u>-</u>
Fund balance (deficit) - ending			<u>\$ (100,315)</u>

See accompanying Independent Auditors' Report.

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

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
REGIONAL SAFE SCHOOLS

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 80,111	\$ 80,111	\$ 80,111
Expenditures			
Salaries and benefits	30,356	30,356	30,356
Purchased services	49,755	49,755	49,755
Total expenditures	80,111	80,111	80,111
Net change in fund balance	\$ -	\$ -	-
Fund balance - beginning			-
Fund balance - ending			\$ -

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

See accompanying Independent Auditors' Report.

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

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
MCKINNEY EDUCATION FOR HOMELESS CHILDREN

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
Federal sources	\$ 358,487	\$ 358,487	\$ 312,385
Expenditures			
Salaries and benefits	71,485	85,485	127,255
Purchased services	11,812	8,837	23,731
Supplies and materials	4,125	2,300	3,022
Capital outlay	1,200	1,200	1,374
Payments to other governments	269,865	260,665	157,003
Total expenditures	<u>358,487</u>	<u>358,487</u>	<u>312,385</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund balance - beginning			-
Fund balance - ending			<u>\$ -</u>

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

See accompanying Independent Auditors' Report.

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

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
Federal sources	\$ 3,873	\$ 3,873	\$ 3,000
Expenditures			
Purchased services	3,873	3,873	3,000
Net change in fund balance	\$ -	\$ -	-
Fund balance - beginning			-
Fund balance - ending			\$ -

See accompanying Independent Auditors' Report.

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

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
Federal sources	\$ 70,000	\$ 80,000	\$ 80,000
Expenditures			
Salaries and benefits	7,290	8,874	8,389
Purchased services	59,210	67,126	69,018
Supplies and materials	3,500	4,000	2,593
Total expenditures	70,000	80,000	80,000
Net change in fund balance	\$ -	\$ -	-
Fund balance - beginning			-
Fund balance - ending			\$ -

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

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

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
EARLY CHILDHOOD BLOCK GRANT

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 487,850	\$ 431,498	\$ 426,804
Expenditures			
Salaries and benefits	384,282	345,781	345,678
Purchased services	58,907	39,155	36,267
Supplies and materials	32,161	34,062	33,776
Capital outlay	12,500	12,500	11,083
Total expenditures	487,850	431,498	426,804
Net change in fund balance	\$ -	\$ -	-
Fund balance - beginning			-
Fund balance - ending			\$ -

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

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

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
SUBSTANCE ABUSE PREVENTION PROGRAM

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
Federal sources	\$ 66,773	\$ 66,773	\$ 64,038
Expenditures			
Salaries and benefits	54,550	54,550	53,562
Purchased services	7,449	7,449	7,841
Supplies and materials	4,774	4,774	2,635
Total expenditures	66,773	66,773	64,038
Net change in fund balance	\$ -	\$ -	-
Fund balance - beginning			-
Fund balance - ending			\$ -

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

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

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
NEW TEACHER INDUCTION & MENTORING

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenue			
State sources	\$ 36,000	\$ 32,400	\$ 32,400
Expenditures			
Salaries and benefits	21,000	-	-
Purchased services	1,500	3,000	3,314
Supplies and materials	9,500	6,500	6,186
Payments to other governments	4,000	22,900	22,900
Total expenditures	36,000	32,400	32,400
Net change in fund balance	\$ -	\$ -	-
Fund balance - beginning			-
Fund balance - ending			\$ -

See accompanying Independent Auditors' Report.

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

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2016

	General Education Development	Bus Driver Training	Total
Assets			
Cash and cash equivalents	\$ 34,905	\$ 24,965	\$ 59,870
Due from other governments	-	1,411	1,411
Total assets	<u>\$ 34,905</u>	<u>\$ 26,376</u>	<u>\$ 61,281</u>
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance			
Restricted	<u>34,905</u>	<u>26,376</u>	<u>61,281</u>
Total liabilities and fund balance	<u>\$ 34,905</u>	<u>\$ 26,376</u>	<u>\$ 61,281</u>

See accompanying Independent Auditors' Report.

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

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

For the Year Ended June 30, 2016

	General Education Development	Bus Driver Training	Total
Revenues			
Local sources	\$ 2,677	\$ 6,290	\$ 8,967
State sources	-	1,401	1,401
	<u>2,677</u>	<u>7,691</u>	<u>10,368</u>
Total revenues			
Expenditures			
Salaries and benefits	2,701	-	2,701
Purchased services	19	4,326	4,345
Supplies and materials	85	-	85
	<u>2,805</u>	<u>4,326</u>	<u>7,131</u>
Total expenditures			
Net change in fund balance	(128)	3,365	3,237
Fund balance - beginning (restated - see note 13)	<u>35,033</u>	<u>23,011</u>	<u>58,044</u>
Fund balance - ending	<u>\$ 34,905</u>	<u>\$ 26,376</u>	<u>\$ 61,281</u>

See accompanying Independent Auditors' Report.

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

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND

For the year ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>COUNTY SCHOOL FACILITY TAX</u>				
Assets				
Cash and cash equivalents	\$ 73	\$ 1,635,734	\$ (1,635,807)	\$ -
Due from other governments	571,425	544,493	(571,425)	544,493
Total assets	<u>\$ 571,498</u>	<u>\$ 2,180,227</u>	<u>\$ (2,207,232)</u>	<u>\$ 544,493</u>
Liabilities				
Due to other governments	\$ 571,498	\$ 2,180,227	\$ (2,207,232)	\$ 544,493
Total liabilities	<u>\$ 571,498</u>	<u>\$ 2,180,227</u>	<u>\$ (2,207,232)</u>	<u>\$ 544,493</u>

See accompanying Independent Auditors' Report.