

**STATE OF ILLINOIS  
CALHOUN, GREENE, JERSEY,  
AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**FINANCIAL AUDIT  
For the year ended June 30, 2017**

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

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**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**OFFICIALS**

Regional Superintendent  
(Current and during the audit period) ..... Ms. Michelle Mueller

Assistant Regional Superintendent  
(Current and during the audit period) ..... Mr. Chad Hoesman

Offices are located at:

225 E. Nicholas Street  
Carlinville, IL 62626

201 W. Exchange Street  
Jerseyville, IL 62052

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**FINANCIAL REPORT SUMMARY**

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

**AUDITORS' REPORTS**

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

**SUMMARY OF AUDIT FINDINGS**

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	4	5
Repeated audit findings	4	2
Prior recommendations implemented or not repeated	1	1

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

**SUMMARY OF FINDINGS AND RESPONSES**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
2017-001	10	Controls over Financial Statement Preparation	Material Weakness
2017-002	12	Controls over Grant Compliance	Material Weakness and Noncompliance
2017-003	15	Controls over Preparation of Journal Entries	Material Weakness
2017-004	16	Controls over Expenditures	Material Weakness
PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)			
2016-004	23	Controls over Payroll	Significant Deficiency

**EXIT CONFERENCE**

The Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education No. 40 opted not to have a formal exit conference during the financial audit for the year ended June 30, 2017. Throughout the audit, numerous meetings were held between the auditors and Regional Office officials to discuss matters contained in this audit report.

Responses to the recommendations were provided by Tara Dawdy, accountant, via email on January 17, 2018 and March 2, 2018.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**FINANCIAL STATEMENT REPORT SUMMARY**

The audit of the accompanying basic financial statements of the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education No. 40 was performed by West & Company, LLC.

Based on their audit, the auditors expressed an unmodified opinion on the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education No. 40's basic financial statements.

MEMBERS

BRIAN E. DANIELL  
JANICE K. ROMACK  
DIANA R. SMITH  
D. RAIF PERRY  
JOHN H. VOGT  
JOSHUA D. LOWE  
DAVID W. FALLER  
ALEXANDER M. HAGEN

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&  
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GREENVILLE  
MATTOON  
SULLIVAN

**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 Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education No. 40, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education No. 40's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education No. 40, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Illinois Municipal Retirement Fund – Schedules of Changes in the Net Pension Liability (Asset) and Related Ratios, Illinois Municipal Retirement Fund – Schedule of Employer Contributions, Teachers' Retirement System of the State of Illinois – Schedules of Employer's Proportionate Share of the Net Pension Liability, and Teachers' Retirement System of the State of Illinois – Schedules of Employer Contributions on pages 68-72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education No. 40'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 May 8, 2018 on our consideration of the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education No. 40's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education No. 40's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education No. 40's internal control over financial reporting and compliance.

**SIGNED ORIGINAL ON FILE**

Mattoon, Illinois  
May 8, 2018

MEMBERS

BRIAN E. DANIELL  
JANICE K. ROMACK  
DIANA R. SMITH  
D. RAIF PERRY  
JOHN H. VOGT  
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**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**

INDEPENDENT AUDITORS' REPORT

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 the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education No. 40, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education No. 40's basic financial statements, and have issued our report thereon dated May 8, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education No. 40's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education No. 40's internal control. Accordingly, we do not express an opinion on the effectiveness of the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education No. 40's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as findings 2017-001, 2017-002, 2017-003, and 2017-004 that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education No. 40'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as finding 2017-002.

### **Regional Office of Education No. 40's Responses to Findings**

The Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education No. 40's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education No. 40'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 Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education No. 40'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 Calhoun, Greene, Jersey, and Macoupin Counties Regional Office of Education No. 40's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**SIGNED ORIGINAL ON FILE**

Mattoon, Illinois

May 8, 2018

## **SCHEDULE OF FINDINGS AND RESPONSES**

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**SCHEDULE OF FINDINGS AND RESPONSES  
SECTION I – SUMMARY OF AUDITORS' RESULTS  
For the year ended June 30, 2017**

**Financial Statements in accordance with GAAP**

Type of auditors' report issued:

UNMODIFIED

Internal control over financial reporting:

- Material weakness(es) identified?

  X   yes           no

- Significant deficiency(ies) identified?

       yes      X   none reported

Noncompliance material to financial statements noted?

  X   yes           no

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the year ended June 30, 2017**

**FINDING NO. 2017-001 - Controls over Financial Statement Preparation (Repeat of Finding 16-001, 15-001, 14-001, 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-04)**

**Criteria/Specific Requirement:**

The Regional Office of Education No. 40 (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 based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

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

GASB Statements No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, require governments to record and present net 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 does 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. In addition, the ROE does not have sufficient internal controls over the processing of some accounting transactions. There are not sufficient controls over the preparation/review of GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure errors and omissions in a timely manner. For example, auditors, in their review of the ROE's accounting records, noted the following:

- The ROE did not have adequate controls over the maintenance of complete records of revenue, receivables, payables, unearned revenue, and unavailable revenue.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the year ended June 30, 2017**

**FINDING NO. 2017-001 - Controls over Financial Statement Preparation (Repeat of Finding 16-001, 15-001, 14-001, 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-04)** (Continued)

**Condition** (Continued)

- The ROE did not have adequate controls to record and report the ROE’s net pension liabilities/assets, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP.
- Numerous other adjustments were required to present financial statements in accordance with generally accepted accounting principles.

**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 errors and omissions in a timely manner.

**Cause:**

According to ROE management, they did not have adequate funding to hire a certified public accountant or other financial professionals with the appropriate training and expertise as full-time staff.

Additionally, the complex requirements of GASB Statements No. 68 and 71 will require additional time and training before the ROE can fully implement the requirements on its own.

**Auditors' Recommendation:**

The ROE should implement comprehensive preparation and/or review procedures as a part of its internal control over the preparation of financial statements to ensure the financial statements, including disclosures, are complete and accurate. These procedures should be performed by a properly trained individual(s) possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the ROE’s activities and operations.

**Management's Response:**

At this time, the ROE does not have available funding to hire an individual to assist with financial statement preparation; however, fiscal personnel of the ROE will strive to do their best to prepare the financial statements in accordance with GAAP.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the year ended June 30, 2017**

**FINDING NO. 2017-002 – Controls over Grant Compliance (Partial Repeat of Finding 16-002 and 15-003)**

**Criteria/Specific Requirement:**

As a recipient of federal, State, and local funds from various grantor agencies, the Regional Office of Education No. 40 (ROE) must incorporate certain procedures into its operations in order to comply with the grant agreements with these entities.

The ROE is responsible for establishing and maintaining an internal control system over the completion of timely quarterly expenditure reports required for grants administered by the Illinois State Board of Education. The Illinois State Board of Education (ISBE) requires expenditure reports to be filed within 20 days of the applicable end of each quarter.

In addition, grant agreements require the ROE to report actual expenditures incurred rather than reporting expenditures based on the amount budgeted in the grant agreement. The ROE is required to spend funding in accordance with budgets submitted to grantors.

Certain grant agreements have specific requirements related to the administration of grants. The Adult Education and Family Literacy Federal Basic grant agreement for the fiscal year 2016 grant required unspent grant funds to be returned to the Illinois Community College Board by October 15, 2016. The Adult Education and Family Literacy State Basic grant agreement for the fiscal year 2016 grant states that a minimum of 45% of the grant must be allocated to direct student instruction.

**Condition:**

During the course of the audit, auditors noted the following related to the controls over grant compliance:

- Seven of the 16 (44%) quarterly expenditure reports required by the Illinois State Board of Education were not submitted timely. Five of the quarterly expenditure reports were submitted six days late, and one quarterly expenditure report was submitted 19 days late. In addition, one grant was not approved until after the due date of the expenditure report and was submitted 43 days after the grant was approved.
- The Illinois State Board of Education conducted an audit of the Alternative Education and Safe School Programs for School Year 2015 - 2016 (FY 2017) and noted audit adjustments. Due to inaccurate reporting of school attendance statistics by the ROE for the Alternative Education and Safe School Programs, General State Aid for the programs was over-claimed by \$27,873 and \$734, respectively.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the year ended June 30, 2017**

**FINDING NO. 2017-002 – Controls over Grant Compliance (Partial Repeat of Finding 16-002 and 15-003)** (Continued)

**Condition:** (Continued)

- The expenditures reported on the final expenditure reports for the Regional Safe Schools, Truants Alternative/Optional Education, and ROE/ISC Operations grants agreed to the expenditures recorded in the general ledger, prior to adjustments for items accrued for the prior and current fiscal year. After adjustments for the accruals, expenditures on the Regional Safe Schools expenditure report exceeded actual expenditures by \$285. The actual expenditures for the Truants Alternative/Optional Education and ROE/ISC Operations grants exceeded the amounts per the final expenditure reports by \$127 and \$498, respectively. In addition, the expenditures on the Adult Education and Family Literacy State Basic grant expenditure report for the period ended June 30, 2017 did not agree to the general ledger and were overstated by \$2,757 as expenditures totaling this amount were included on the grant expenditure report for the fiscal year 2016 grant.
- The ROE did not expend all of its Adult Education and Family Literacy Federal Basic grant for fiscal year 2016. While funds totaling \$23,386 were received, expenditures totaled only \$12,318, leaving \$11,068 of unspent funds. The final fiscal year 2016 expenditure report improperly reported that all funds were expended. Though the unspent funds were due to the Illinois Community College Board by October 15, 2016, they had not been returned as of June 30, 2017.
- For the fiscal year 2016 Adult Education and Family Literacy State Basic grant, the ROE was required to prepare final grant expenditure reports detailing the grant expenditures by function. While the grant agreement specifies a minimum of 45% of the grant must be spent on direct instruction, the ROE expended only \$2,757, none of which was spent on direct instruction.

**Effect:**

Lack of timely filed expenditure reports could result in a delay of grant funding. Submitting expenditure reports that do not reflect final expenditures after accrual adjustments and submitting inaccurate school attendance statistics for State aid calculations could lead to the granting agency requesting reimbursement or adjusting future grant amounts. Noncompliance with grant requirements could lead to the granting agency requesting reimbursement or the loss of the grant for future periods.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the year ended June 30, 2017**

**FINDING NO. 2017-002 – Controls over Grant Compliance (Partial Repeat of Finding 16-002 and 15-003)** (Continued)

**Cause:**

Lack of communication with personnel and a misunderstanding of accounting and internal control procedure requirements by program directors and their administrative personnel.

**Auditors' Recommendation:**

The ROE should implement adequate internal controls to ensure that expenditure reports are filed timely and expenditures included in grant expenditure reports are properly adjusted for accrued items. The ROE should ensure student attendance statistics submitted to the Illinois State Board of Education (ISBE) are accurate and complete to prevent the ROE from having to reimburse ISBE. The ROE should thoroughly review grant agreements and comply with all grant requirements.

**Management's Response:**

The ROE will implement adequate internal controls to ensure expenditure reports are filed timely and only properly recorded and approved expenditures are included in grant expenditure reports.

The ROE will implement a system to ensure accurate student attendance recording and reporting.

All expenditures reported on any final expenditure report will match general ledger expenditures.

Management will contact the ICCB to determine how they want to handle the unspent funds.

Management will perform a detailed review of all expenditure reports to ensure the expenditures are reported correctly.

Management will review all grant agreements and ensure that the ROE complies with all requirements.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the year ended June 30, 2017**

**FINDING NO. 2017-003 – Controls over Preparation of Journal Entries (Repeat of Finding 16-003)**

**Criteria/Specific Requirement:**

The Regional Office of Education No. 40 (ROE) is responsible for establishing and maintaining an internal control system over journal entries to prevent errors or fraud. In addition, adequate controls over compliance with laws, regulations, and grant agreements require supervisory review of expenditures charged to grant programs.

**Condition:**

During our review of journal entries, we noted the ROE could not provide supporting documentation for 4 out of 25 (16%) of the journal entries selected for testing. It was also noted that an additional 7 out of 25 (28%) of the journal entries tested lacked the necessary documentation for the Regional Superintendent or Assistant Regional Superintendent to determine if the journal entry was appropriate during their review.

**Effect:**

Unallowable costs could be charged to grant program expenditures or erroneous or fraudulent journal entries could be made that may not be detected and corrected on a timely basis.

**Cause:**

Lack of communication between the accounting personnel and a misunderstanding of accounting and internal controls procedure requirements by management.

**Auditors' Recommendation:**

The ROE should retain all source documents used to support journal entries. In addition, the Regional Superintendent or Assistant Regional Superintendent should formally review and approve all journal entries, along with supporting documentation, prior to the entries being posted to the accounting records.

**Management's Response:**

The ROE will retain all source documents used to support journal entries and all entries will be reviewed and approved prior to being posted in the accounting records.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the year ended June 30, 2017**

**FINDING NO. 2017-004 – Controls over Expenditures (Partial Repeat of Finding 16-005)**

**Criteria/Specific Requirement:**

Internal controls should ensure that expenditures incurred by the Regional Office of Education No. 40 (ROE) are adequately documented, accurately recorded in the general ledger, incurred for a business purpose, and represent economical and effective use of ROE resources.

The ROE has a policy that authorized staff must fill out a “check out” form for use of the ROE’s credit cards. The form must be signed by the requestor and should be approved by the program director, Regional Superintendent, or Assistant Regional Superintendent.

**Condition:**

During the testing of cash disbursements, we noted the ROE improperly recorded the purchase of supplies as purchased services for 4 out of 60 (7%) cash disbursements tested.

During the testing of credit card transactions, we noted the check out date on the ROE credit card "check out" form was dated after the transaction date on the credit card statement for 4 out of 17 (24%) credit card transactions tested.

**Effect:**

Improperly recording supplies as purchased services could lead to financial statement misstatements and misleading budgetary comparison schedules. In addition, improper credit card transactions could occur that may not be detected or corrected on a timely basis due to the credit card "check out" form not being properly completed and timely.

**Cause:**

An internal control system of the credit card check in and check out and the purchase of supplies was in place but not fully implemented.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the year ended June 30, 2017**

**FINDING NO. 2017-004 – Controls over Expenditures (Partial Repeat of Finding 16-005)**

(Continued)

**Auditors' Recommendation:**

The ROE's management should ensure the ROE designs and implements an adequate system of internal controls over credit card transactions and cash disbursements to prevent errors and fraud. All disbursements made by the ROE should be accurately recorded in the general ledger and supported by sufficient, accurate, and properly approved documentation.

**Management's Response:**

The ROE has now implemented an adequate system of internal controls over credit card transactions and cash disbursements to prevent errors and fraud. All disbursements made by the ROE will be supported by sufficient, accurate and properly approved documentation.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR  
AUDIT FINDINGS  
For the year ended June 30, 2017**

**Corrective Action Plan**

**FINDING NO. 2017-001 - Controls over Financial Statement Preparation (Repeat of Finding 16-001, 15-001, 14-001, 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-04)**

**Condition:**

The ROE does 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. In addition, the ROE does not have sufficient internal controls over the processing of some accounting transactions. There are not sufficient controls over the preparation/review of GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure errors and omissions in a timely manner. For example, auditors, in their review of the ROE's accounting records, noted the following:

- The ROE did not have adequate controls over the maintenance of complete records of revenue, receivables, payables, unearned revenue, and unavailable revenue.
- The ROE did not have adequate controls to record and report the ROE's net pension liabilities/assets, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP.
- Numerous other adjustments were required to present financial statements in accordance with generally accepted accounting principles.

**Plan:**

The ROE will seek to find additional training opportunities for employees to fulfill requirements.

**Anticipated Date of Completion:**

Ongoing

**Name of Contact Person:**

Ms. Michelle Mueller, Regional Superintendent

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR  
AUDIT FINDINGS  
For the year ended June 30, 2017**

**Corrective Action Plan**

**FINDING NO. 2017-002 – Controls over Grant Compliance (Partial Repeat of Finding 16-002 and 15-003)**

**Condition:**

During the course of the audit, auditors noted the following related to the controls over grant compliance:

- Seven of the 16 (44%) quarterly expenditure reports required by the Illinois State Board of Education were not submitted timely. Five of the quarterly expenditure reports were submitted six days late, and one quarterly expenditure report was submitted 19 days late. In addition, one grant was not approved until after the due date of the expenditure report and was submitted 43 days after the grant was approved.
- The Illinois State Board of Education conducted an audit of the Alternative Education and Safe School Programs for School Year 2015 - 2016 (FY 2017) and noted audit adjustments. Due to inaccurate reporting of school attendance statistics by the ROE for the Alternative Education and Safe School Programs, General State Aid for the programs was over-claimed by \$27,873 and \$734, respectively.
- The expenditures reported on the final expenditure reports for the Regional Safe Schools, Truants Alternative/Optional Education, and ROE/ISC Operations grants agreed to the expenditures recorded in the general ledger, prior to adjustments for items accrued for the prior and current fiscal year. After adjustments for the accruals, expenditures on the Regional Safe Schools expenditure report exceeded actual expenditures by \$285. The actual expenditures for the Truants Alternative/Optional Education and ROE/ISC Operations grants exceeded the amounts per the final expenditure reports by \$127 and \$498, respectively. In addition, the expenditures on the Adult Education and Family Literacy State Basic grant expenditure report for the period ended June 30, 2017 did not agree to the general ledger and were overstated by \$2,757 as expenditures totaling this amount were included on the grant expenditure report for the fiscal year 2016 grant.
- The ROE did not expend all of its Adult Education and Family Literacy Federal Basic grant for fiscal year 2016. While funds totaling \$23,386 were received, expenditures totaled only \$12,318, leaving \$11,068 of unspent funds. The final fiscal year 2016 expenditure report improperly reported that all funds were expended. Though the unspent funds were due to the Illinois Community College Board by October 15, 2016, they had not been returned as of June 30, 2017.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR  
AUDIT FINDINGS  
For the year ended June 30, 2017**

**Corrective Action Plan** (Continued)

**FINDING NO. 2017-002 – Controls over Grant Compliance (Partial Repeat of Finding 16-002 and 15-003)** (Continued)

**Condition:** (Continued)

- For the fiscal year 2016 Adult Education and Family Literacy State Basic grant, the ROE was required to prepare final grant expenditure reports detailing the grant expenditures by function. While the grant agreement specifies a minimum of 45% of the grant must be spent on direct instruction, the ROE expended only \$2,757, none of which was spent on direct instruction.

**Plan:**

A timetable has been created with due dates to assure timely filing of all required grant reports.

A system has been put in place with administrative personnel to accurately record and report student attendance.

All expenditures reported on any final expenditure report will match general ledger expenditures.

Management will contact the ICCB to determine how to correct the expenditure report and return the funds.

Management will perform a detailed review of all expenditure reports in the future before filing.

Management will review all grant agreements and ensure that the ROE complies with all requirements.

**Anticipated Date of Completion:**

Completed and ongoing

**Name of Contact Person:**

Ms. Michelle Mueller, Regional Superintendent

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR  
AUDIT FINDINGS  
For the year ended June 30, 2017**

**Corrective Action Plan**

**FINDING NO. 2017-003 – Controls over Preparation of Journal Entries (Repeat of Finding 16-003)**

**Condition:**

During our review of journal entries, we noted the ROE could not provide supporting documentation for 4 out of 25 (16%) of the journal entries selected for testing. It was also noted that an additional 7 out of 25 (28%) of the journal entries tested lacked the necessary documentation for the Regional Superintendent or Assistant Regional Superintendent to determine if the journal entry was appropriate during their review.

**Plan:**

The ROE will retain all source documents used to support journal entries and all entries will be reviewed and approved prior to being posted in the accounting records.

**Anticipated Date of Completion:**

Completed and ongoing

**Name of Contact Person:**

Ms. Michelle Mueller, Regional Superintendent

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR  
AUDIT FINDINGS  
For the year ended June 30, 2017**

**Corrective Action Plan**

**FINDING NO. 2017-004 – Controls over Expenditures (Partial Repeat of Finding 16-005)**

**Condition:**

During the testing of cash disbursements, we noted the ROE improperly recorded the purchase of supplies as purchased services for 4 out of 60 (7%) cash disbursements tested.

During the testing of credit card transactions, we noted the check out date on the ROE credit card "check out" form was dated after the transaction date on the credit card statement for 4 out of 17 (24%) credit card transactions tested.

**Plan:**

The ROE will continue to maintain, and update as necessary, an adequate system of controls.

**Anticipated Date of Completion:**

Ongoing since August 2016

**Name of Contact Person:**

Ms. Michelle Mueller, Regional Superintendent

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS NOT REPEATED  
For the year ended June 30, 2017**

2016-004	Controls over Payroll	Not Repeated
	During the current audit, audit testing results indicated the Regional Office of Education No. 40 implemented corrective actions and controls over payroll appear to be adequate.	

## **BASIC FINANCIAL STATEMENTS**

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**STATEMENT OF NET POSITION**

**June 30, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 152,175	\$ 19,939	\$ 172,114
Due from other governments	253,358	400	253,758
Internal balances	(11,173)	11,173	-
Total current assets	<u>394,360</u>	<u>31,512</u>	<u>425,872</u>
Noncurrent assets:			
Capital assets, net	<u>33,285</u>	<u>808</u>	<u>34,093</u>
Total noncurrent assets	<u>33,285</u>	<u>808</u>	<u>34,093</u>
Total assets	<u>427,645</u>	<u>32,320</u>	<u>459,965</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>158,037</u>	<u>-</u>	<u>158,037</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	557	128	685
Due to other governments	13,531	-	13,531
Unearned revenue	15,397	-	15,397
Total current liabilities	<u>29,485</u>	<u>128</u>	<u>29,613</u>
Noncurrent liabilities:			
Net pension liability	<u>163,183</u>	<u>-</u>	<u>163,183</u>
Total noncurrent liabilities	<u>163,183</u>	<u>-</u>	<u>163,183</u>
Total liabilities	<u>192,668</u>	<u>128</u>	<u>192,796</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>58,362</u>	<u>-</u>	<u>58,362</u>
<b>NET POSITION</b>			
Net investment in capital assets	33,285	808	34,093
Restricted - other	112,293	-	112,293
Unrestricted	189,074	31,384	220,458
Total net position	<u>\$ 334,652</u>	<u>\$ 32,192</u>	<u>\$ 366,844</u>

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**STATEMENT OF ACTIVITIES  
For the year ended June 30, 2017**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>						
Governmental activities:						
Instructional services:						
Salaries	\$ 496,879	\$ -	\$ 486,836	\$ (10,043)	\$ -	\$ (10,043)
Benefits	65,604	-	66,724	1,120	-	1,120
Purchased services	172,106	-	143,845	(28,261)	-	(28,261)
Supplies and materials	7,465	-	7,459	(6)	-	(6)
Capital outlay	-	-	5,595	5,595	-	5,595
Other	4,324	-	4,341	17	-	17
Payments to other governments	4,354	-	4,354	-	-	-
Depreciation	9,747	-	-	(9,747)	-	(9,747)
Pension expense	67,928	-	-	(67,928)	-	(67,928)
Administrative:						
On-behalf payments - State	461,486	-	-	(461,486)	-	(461,486)
Total governmental activities	<u>1,289,893</u>	<u>-</u>	<u>719,154</u>	<u>(570,739)</u>	<u>-</u>	<u>(570,739)</u>
Business-type activities						
Instructional	32,073	49,325	-	-	17,252	17,252
Total primary government	<u>\$ 1,321,966</u>	<u>\$ 49,325</u>	<u>\$ 719,154</u>	<u>(570,739)</u>	<u>17,252</u>	<u>(553,487)</u>
General revenues:						
Local sources				171,144	-	171,144
On-behalf payments - State				461,486	-	461,486
Interest				129	-	129
Total general revenues				<u>632,759</u>	<u>-</u>	<u>632,759</u>
Change in net position				62,020	17,252	79,272
Net position - beginning of year				272,632	14,940	287,572
Net position - end of year				<u>\$ 334,652</u>	<u>\$ 32,192</u>	<u>\$ 366,844</u>

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017**

	General Fund	Education Fund	Institute Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 30,363	\$ 14,990	\$ 82,597
Due from other funds	234,784	-	-
Due from other governments	3,484	249,874	-
	\$ 268,631	\$ 264,864	\$ 82,597
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 109	\$ 448	\$ -
Due to other funds	-	245,957	-
Due to other governments	-	13,531	-
Unearned revenue	15,397	-	-
	15,506	259,936	-
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	-	167,745	-
<b>FUND BALANCES (DEFICITS)</b>			
Restricted	-	5,471	82,597
Unassigned	253,125	(168,288)	-
	253,125	(162,817)	82,597
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 268,631	\$ 264,864	\$ 82,597

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**BALANCE SHEET (Concluded)  
GOVERNMENTAL FUNDS  
June 30, 2017**

	<u>Nonmajor Special Revenue Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 24,225	\$ 152,175
Due from other funds	-	234,784
Due from other governments	-	253,358
	<u>24,225</u>	<u>253,358</u>
Total assets	<u>\$ 24,225</u>	<u>\$ 640,317</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 557
Due to other funds	-	245,957
Due to other governments	-	13,531
Unearned revenue	-	15,397
	<u>-</u>	<u>15,397</u>
Total liabilities	<u>-</u>	<u>275,442</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue	<u>-</u>	<u>167,745</u>
<b>FUND BALANCES (DEFICITS)</b>		
Restricted	24,225	112,293
Unassigned	-	84,837
	<u>24,225</u>	<u>197,130</u>
Total fund balances (deficits)	<u>24,225</u>	<u>197,130</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 24,225</u>	<u>\$ 640,317</u>

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
June 30, 2017**

Total fund balances - governmental funds		\$ 197,130
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Some revenues will not be collected for several months after the Regional Office's fiscal year ends; they are considered "unavailable" revenues and are deferred inflows of resources in the governmental funds.</p>		167,745
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		33,285
<p>Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds.</p>		
Deferred outflows of resources	\$ 158,037	
Deferred inflows of resources	<u>(58,362)</u>	99,675
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Net pension liability		<u>(163,183)</u>
Net position of governmental activities		<u><u>\$ 334,652</u></u>

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the year ended June 30, 2017**

	General Fund	Education Fund	Institute Fund
Revenues:			
Local sources	\$ 156,398	\$ 2,391	\$ 19,905
State sources	329,413	168,771	-
Federal sources	-	51,904	-
On-behalf payments	265,580	-	-
Interest	41	82	6
Total revenues	751,432	223,148	19,911
Expenditures:			
Instructional services:			
Salaries	251,750	245,129	-
Benefits	48,687	16,917	-
Purchased services	51,316	99,119	18,023
Supplies and materials	1	7,398	-
Other	-	4,324	-
Payments to other governments	-	4,354	-
Pension expense	8,830	6,444	-
On-behalf payments	265,580	-	-
Capital outlay	7,137	5,595	-
Total expenditures	633,301	389,280	18,023
Excess (deficiency) of revenues over (under) expenditures	118,131	(166,132)	1,888
Other financing sources (uses):			
Payments on long-term debt	(2,600)	-	-
Total other financing sources (uses)	(2,600)	-	-
Net change in fund balances	115,531	(166,132)	1,888
Fund balances, beginning of year	137,594	3,315	80,709
Fund balances (deficits), end of year	\$ 253,125	\$ (162,817)	\$ 82,597

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES (Concluded)  
GOVERNMENTAL FUNDS  
For the year ended June 30, 2017**

	Nonmajor Special Revenue Funds	Total Governmental Funds
Revenues:		
Local sources	\$ 9,790	\$ 188,484
State sources	1,321	499,505
Federal sources	-	51,904
On-behalf payments	-	265,580
Interest	-	129
Total revenues	11,111	1,005,602
Expenditures:		
Instructional services:		
Salaries	-	496,879
Benefits	-	65,604
Purchased services	3,648	172,106
Supplies and materials	66	7,465
Other	-	4,324
Payments to other governments	-	4,354
Pension expense	-	15,274
On-behalf payments	-	265,580
Capital outlay	-	12,732
Total expenditures	3,714	1,044,318
Excess (deficiency) of revenues over (under) expenditures	7,397	(38,716)
Other financing sources (uses):		
Payments on long-term debt	-	(2,600)
Total other financing sources (uses)	-	(2,600)
Net change in fund balances	7,397	(41,316)
Fund balances, beginning of year	16,828	238,446
Fund balances (deficits), end of year	\$ 24,225	\$ 197,130

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
For the year ended June 30, 2017**

Net change in fund balances \$ (41,316)

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

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

Capital outlay	\$ 12,732	
Depreciation expense	<u>(9,747)</u>	2,985

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt. 2,600

Some revenues 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.

Current year unavailable revenue	\$ 167,745	
Prior year unavailable revenue	<u>(17,340)</u>	150,405

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions	\$ 15,274	
Cost of benefits earned, net	<u>(67,928)</u>	<u>(52,654)</u>

Change in net position of governmental activities \$ 62,020

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2017**

		Business-Type Activities
		<u>Enterprise Funds</u>
		<u>Nonmajor Funds</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$	19,939
Due from other funds		11,376
Due from other governments		<u>400</u>
Total current assets		31,715
Noncurrent assets:		
Capital assets, net		<u>808</u>
Total assets		<u>32,523</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable		128
Due to other funds		<u>203</u>
Total current liabilities		<u>331</u>
<b>NET POSITION</b>		
Net investment in capital assets		808
Unrestricted		<u>31,384</u>
Total net position	\$	<u><u>32,192</u></u>

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

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

**For the year ended June 30, 2017**

	Business-Type Activities
	Enterprise Funds
	Nonmajor Funds
Operating revenues:	
Charges for services	\$ 49,325
Operating expenses:	
Salaries	568
Benefits	16
Purchased services	30,184
Supplies and materials	717
Depreciation	588
Total operating expenses	32,073
Operating income	17,252
Net position - beginning of year	14,940
Net position - end of year	\$ 32,192

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the year ended June 30, 2017**

	Business-Type Activities
	Enterprise Funds
	Nonmajor Funds
Cash flows from operating activities:	
Collection of fees	\$ 48,925
Payments to suppliers and providers for goods and services	(31,929)
Payments to employees	(2,482)
Net cash provided by operating activities	14,514
Cash flows from noncapital financing activities:	
Interfund loans	(11,173)
Net cash used for noncapital financing activities	(11,173)
Net increase in cash and cash equivalents	3,341
Cash and cash equivalents - beginning of year	16,598
Cash and cash equivalents - end of year	\$ 19,939
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 17,252
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	588
Increase in due from other governments	(400)
Increase in accounts payable	128
Decrease in accrued wages and benefits	(1,898)
Decrease in due to other governments	(1,156)
Net cash provided by operating activities	\$ 14,514

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2017**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,007
Due from other governments	<u>1,064,468</u>
Total assets	<u><u>\$ 1,069,475</u></u>
<b>LIABILITIES</b>	
Due to other governments	<u>\$ 1,069,475</u>
Total liabilities	<u><u>\$ 1,069,475</u></u>

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

**NOTES TO FINANCIAL STATEMENTS**

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Regional Office of Education No. 40's accounting policies conform to generally accepted accounting principles, which are appropriate to local governmental units of this type.

**A. Reporting Entity**

The Regional Office of Education No. 40 was created by Illinois Public Act 76-735, as amended, effective August 7, 1995. The Regional Office operates under the School Code (105 ILCS 5/3 and 5/3A). The region encompasses Calhoun, Greene, Jersey, and Macoupin counties.

The Regional Superintendent of Schools is the chief administrative officer of the region and is elected to the position for a four-year term. The Regional Superintendent is responsible for the supervision and control of the school districts.

The Regional Superintendent's responsibilities for administering the school educational service region programs include, but are not limited to, providing directions to teachers and school officials on science, art and teaching methods; implementing the State Board of Education's Policy Programs; encouraging camaraderie among teachers through the teachers' institute; making public notice of unfilled teaching positions within the region; and ensuring of the safety, health and welfare of the students in the region by periodically inspecting the school buildings and ensuring that the bus drivers have valid driving licenses and are properly trained to operate the school buses. The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for the districts in the region, or seeing that no payments are made unless the treasurer has filed or renewed appropriate bond and that the district has certified publication of the annual financial report.

The Regional Office of Education No. 40 derives its oversight power and authority over the school districts from the School Code and is responsible for its own fiscal and budgetary matters. The Regional Office of Education No. 40 exercises no oversight responsibility on financial interdependency, selection of governing authority, designation of management or the ability to significantly influence the operations of any other outside agencies. Control or dependency is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing order. Therefore, no other agency has been included as a component unit in the Regional Office of Education No. 40's financial statements. In addition, the Regional Office of Education No. 40 is not aware of any entity that would exercise oversight as to result in the Regional Office of Education No. 40 being considered a component unit of the entity.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from the business-type activities, which rely to a significant extent on fees and charges for support.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**NOTES TO FINANCIAL STATEMENTS**

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

**B. Government-wide and Fund Financial Statements** (Continued)

The Statement of Net Position includes all of the Regional Office of Education No. 40's assets, including capital assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

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

Certain eliminations have been made as prescribed by governmental accounting standards in regards to interfund activities, such as payables, receivables and transfers. Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the governmental fund Balance Sheet and the proprietary fund Statement of Net Position, and as transfers in/out 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. All internal balances in the Statement of Net Position have been eliminated.

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.

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.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**NOTES TO FINANCIAL STATEMENTS**

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues from exchange transactions are recognized when they are earned, and expenses are recognized 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 provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Regional Office of Education No. 40 considers revenues to be available if they are collectible within 60 days after year-end. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable, with the exception of expenditures for prepaid items and other long-term obligations, which are recognized as liabilities when due, as well as expenditures related to compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Revenues susceptible to accrual are recognized in the current fiscal period. Those revenues include local sources, State sources, federal sources, and interest. Unearned revenues arise when potential revenue does not meet both the measurable and available criteria or when resources are received prior to the government having legal claim to them. The revenues are subsequently recognized when both recognition criteria are met or when the government has legal claim to the resources. Revenues received after the Regional Office's availability period are reported as deferred inflows of resources - unavailable revenue in the fund statements and are reported as current revenue in the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Regional Office of Education No. 40's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

It is the Regional Office of Education No. 40's policy to first apply restricted resources when an expenditure or expense is incurred for which both restricted and unrestricted resources are available. For unrestricted fund balances, committed fund balances are used first, then assigned fund balances, then unassigned, if any.

CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40

NOTES TO FINANCIAL STATEMENTS

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

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation** (Continued)

1. **Governmental Funds**

The Regional Office of Education No. 40 reports the following major governmental funds:

**General Fund** – The General Fund is the general operating fund of the Regional Office of Education No. 40. It is used to account for all financial resources, except those required to be accounted for and reported in another fund. This fund is available to pay general and administrative expenditures of the Regional Office of Education No. 40. Included in this fund are:

**Administrative Fund** – This fund is the general operating fund of the Regional Office of Education No. 40. It is used to account for all financial resources except those required to be accounted for in another fund.

**Alternative Schools Fund** – This fund accounts for monies received to educate, serve, and support students, at no cost to the students, in an effort to improve the quality of life of high school dropouts. The funds are used to provide basic skills, obtain high school credit, or prepare for the GED test.

**Direct Services** – This fund is used for student testing and cooperative services conducted through the Regional Office of Education for the benefit of member districts.

**General State Aid** – This fund accounts for General State Aid grant monies received from the Illinois State Board of Education and used for the general operations of the Regional Safe Schools program.

**Jerseyville Office Remodel** – This fund is used for tracking improvements at the Jerseyville Regional Office of Education No. 40 office.

**Jerseyville Office Account** – Accounts for general operations at the Jerseyville Regional Office of Education No. 40.

**Macoupin County Monies** – Monies received from Macoupin County to pay ROE expenses, such as payroll, phone, rent and office supplies.

**Regional Initiative Fund** – This fund is utilized for special regional initiatives with the consent and approval of the Macoupin County district superintendents.

CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40

NOTES TO FINANCIAL STATEMENTS

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

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation** (Continued)

1. **Governmental Funds** (Continued)

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

**Adult Education** – This fund accounts for monies received from the Illinois Community College Board for academic and vocational adult education programs including the following:

**Federal Basic** – This fund accounts for federal monies received from the Illinois Community College Board which provide for adult basic education (GED) services for adult education clients.

**State Basic** – This fund accounts for State monies received from the Illinois Community College Board for vocational training, including computer and certified nurse assistant classes.

**State Performance** – This fund accounts for State monies received from the Illinois Community College Board that can be used for any purpose that supports the adult education program.

**Regional Safe Schools** – This program provides instruction services and materials for an alternative school program for at-risk youth who are eligible for suspension or expulsion from their home school districts, creating alternative placement for those students into a safe school program.

**ROE/ISC Operations** – This fund accounts for monies received and payment of expenditures in assisting schools in all areas of school improvement.

**Teen Parent Services** – This program is funded through local donations and provides diapers and other parenting supplies to teen parents involved in the Truants Alternative/Optional Education program.

**Title I System of Support** – Grant monies in this fund are used to provide professional development activities to schools that are on Illinois' Academic Watch List. To be on the list, students in the buildings have not made Adequate Yearly Progress for at least two years.

**Truants Alternative/Optional Education** – This fund provides alternative educational program services to truant students referred from local schools to the Regional Office of Education No. 40. It offers prevention and intervention services, which include case management, home visits, school visits, student advocacy, wraparound, referrals to community agencies, and technical assistance to individual school districts and the community.

CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40

NOTES TO FINANCIAL STATEMENTS

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

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation** (Continued)

1. **Governmental Funds** (Continued)

**Education** (Continued)

**Title II Teacher Quality Leadership** – The purpose of this program is to provide training and professional development for the improvement of teacher and principal performance evaluations. The training is delivered through an online portal called Growth Through Learning and is mandated by the Illinois State Board of Education before a supervisor may provide a performance evaluation.

**Institute** – This Special Revenue Fund accounts for fees collected for the registration and renewal of teaching licenses. These fees are used to defray administrative expenses incidental to teachers' institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers or to defray the expense of any general or special meeting of teachers or school personnel. All funds generated remain restricted until expended only on the aforementioned activities.

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

**Bus Driver Permit Fund** – Accounts for funds received from registrations and user fees which are used to test and train bus drivers.

**General Education Development Fund** – Accounts for the administration of the General Education Development (GED) Testing Program with revenues from testing and diploma fees used to pay administrative expenses incurred.

2. **Proprietary Funds**

**Enterprise Funds** – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes.

CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40

NOTES TO FINANCIAL STATEMENTS

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

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation** (Continued)

2. **Proprietary Funds** (Continued)

**Enterprise Funds** (Continued)

The Regional Office of Education No. 40 reports the following nonmajor enterprise funds:

**Workshops** – This fund accounts for expenses incurred for workshops that offer either college credit or other professional development activities.

**Administrators' Academy** – Accounts for the process by which local school administrators meet the legislated requirement for training and by which administrators may improve their skills in instructional and administrative leadership.

**Olympiad Fund** – Accounts for a four-day event involving gifted students using activities designed directly applicable to the State Learning Standards. These activities are intended to challenge students to exercise higher level intellectual skills and talents.

3. **Fiduciary Funds**

**Agency Funds** – Agency Funds are used to account for assets held by the Regional Office of Education No. 40 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 Regional Office of Education No. 40 reports the following agency funds:

**Central Illinois Rural Region Career & Technical Education System** – This fund accounts for the assets held in trust for the benefit of the Central Illinois Rural Region Career & Technical Education System.

**Trustee Fund** – This fund accounts for monies received from individuals filing petitions requesting annexation or detachment of school district boundary hearings with the Regional Board of School Trustees. Monies are expended to cover hearing expenses.

**School Facility Sales Tax** – Voters in Calhoun, Greene, Jersey, and Macoupin Counties approved the use of a sales tax to be used exclusively for school facility capital projects. Regional Office of Education No. 40 is the fiscal agent for processing payments from the State of Illinois to the school districts.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**NOTES TO FINANCIAL STATEMENTS**

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

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance**

**1. Cash and Investments**

The Regional Office of Education No. 40 considers cash on hand, checking accounts, savings accounts, money market accounts, and investments held with an original maturity date of 90 days or less to be cash and cash equivalents. State regulations require that Regional Office of Education No. 40 deposit funds under its control into accounts insured by the federal governments, accounts secured by substantial collateral, or pooled investment trusts. All funds not needed for immediate disbursement are maintained in interest bearing accounts.

Statutes authorize the Regional Office of Education No. 40 to make deposits or invest in obligations of states and their political subdivisions, savings accounts, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Money Market Fund.

**2. Interfund Transactions**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” in the fund financial statements. Balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

**3. Capital Assets**

Capital assets are reported in the applicable columns in the government-wide and proprietary fund financial statements. Capital assets purchased or acquired with an original cost of \$500 or more and estimated useful lives of greater than one year are recorded at historical cost or estimated historical cost. Contributed assets are recorded at acquisition value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Equipment and furniture	3-10 years
Building improvements	10-15 years

In the governmental fund financial statements, capital assets used in governmental operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40

NOTES TO FINANCIAL STATEMENTS

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

D. **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance** (Continued)

4. **Deferred Outflows of Resources and Deferred Inflows of Resources**

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

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

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

5. **Compensated Absences**

Employees earn vacation days after completing a full year of service. Part-time employees and individuals hired for less than a twelve month position do not accumulate paid vacation time. Vacation time is considered an expenditure in the year it is paid. All vacation time has to be used before fiscal year end, so no accrual is required.

Employees received one sick day for each month of employment and the unused portion is accumulated and carried forward. Upon termination, employees are not compensated for any unused sick days; therefore, no accruals or reserves have been established.

6. **Equity Classifications**

**Government-wide and Proprietary Fund Statements**

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.

CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (Continued)

6. Equity Classifications (Continued)

Government-wide and Proprietary Fund Statements (Continued)

**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.

Governmental Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in a governmental fund. The following types of fund balances may be presented on the Governmental Funds Balance Sheet, the General Fund and Education Fund Combining Schedules of Accounts, and the Nonmajor Special Revenue Funds Combining Balance Sheet:

**Nonspendable Fund Balance** - The portion of a governmental fund's fund balance that is not available to be spent, either short term or long term, in either form or through legal restrictions. The Regional Office of Education No. 40 has no nonspendable fund balances.

**Restricted Fund Balance** - The portion of a governmental fund's fund balance that is subject to external enforceable legal restrictions. The following funds are restricted by Illinois Statute: Institute Fund, Bus Driver Permit Fund, and General Education Development Fund. The Teen Parent Services fund is restricted by grantor and donor restrictions.

**Committed Fund Balance** - The portion of a governmental fund's fund balance with self-imposed constraints or limitations that have been placed at the highest level of decision-making. The Regional Office of Education No. 40 has no committed fund balances.

**Assigned Fund Balance** - The portion of a governmental fund's fund balance 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 Regional Office of Education No. 40 has no assigned fund balances.

CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40

NOTES TO FINANCIAL STATEMENTS

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

D. **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance** (Continued)

6. **Equity Classifications** (Continued)

**Governmental Fund Statements** (Continued)

**Unassigned Fund Balance** - Available expendable financial resources in a governmental fund that are not designated for a specific purpose. The following accounts comprise unassigned fund balance: Administrative, Alternative Schools Fund, Direct Services, General State Aid, Jerseyville Office Account, Macoupin County Monies, Regional Initiative, Regional Safe Schools, ROE/ISC Operations, and Truants Alternative/Optional Education.

E. **New Accounting Pronouncements**

In 2017, the Regional Office of Education No. 40 implemented Governmental Accounting Standards Board (GASB) Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 77 – *Tax Abatement Disclosures*, GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80 – *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, and GASB Statement No. 82 – *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. These Statements had no impact on the financial statements of the Regional Office of Education No. 40.

2. **BUDGETS AND BUDGETARY ACCOUNTING**

The Regional Office of Education No. 40 was not legally required to adopt annual budgets for all funds under its control, and some annual budgets prepared were not based upon the same operating period. Therefore, budgetary reports comparing budgeted to actual expenditures are not presented.

Budgets relating to programs funded by grants from the Illinois State Board of Education are prepared and submitted to the State Board for approval as part of the grant awards process. The State Board must also approve amendments to these budgets. Grant project budgets are based on the award period. Budgets relating to programs funded by grants from the Illinois Community College Board must be prepared and submitted for approval. Budgets are also prepared for certain grants awarded through other pass-through entities. Budgetary Comparison Schedules have been presented for the following grants: Adult Education – Federal Basic, Adult Education – State Basic, Adult Education – State Performance, Regional Safe Schools, ROE/ISC Operations, Title I System of Support, Truants Alternative/Optional Education, and Title II Teacher Quality Leadership.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**NOTES TO FINANCIAL STATEMENTS**

**3. USE OF 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.

**4. DEPOSITS AND INVESTMENTS**

At June 30, 2017, the carrying amount of the Regional Office of Education No. 40's deposits for the governmental activities, business-type activities, and fiduciary funds were \$152,025, \$19,939, and \$5,007, respectively. The bank balances for the governmental activities, business-type activities, and fiduciary funds totaled \$314,624 all of which was secured by federal depository insurance or collateralized with securities held by the pledging financial institution's trust department in the Regional Office of Education No. 40's name, and were, therefore, not exposed to custodial credit risk. The Illinois Funds Money Market Fund accounts had a total carrying amount and bank balance of \$150 at June 30, 2017. This amount is fully collateralized and not subject to credit risk.

**5. INTERFUND RECEIVABLES AND PAYABLES**

At June 30, 2017, interfund receivables and payables were as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 234,784	\$ -
Education Fund	-	245,957
Nonmajor Enterprise Funds	11,376	203
Totals	\$ 246,160	\$ 246,160

At June 30, 2017, the interfund balances consisted of loans between funds within the same pooled cash account. The loans were used to cover cash shortages in the Education Fund and Nonmajor Enterprise Funds.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**NOTES TO FINANCIAL STATEMENTS**

**6. DUE TO/DUE FROM OTHER GOVERNMENTS**

At June 30, 2017, the Regional Office of Education No 40's General Fund, Education Fund, Nonmajor Enterprise Funds, and Agency Funds had amounts due to and due from various other governmental units which consisted of the following:

Due from Other Governments:

General Fund:	
Local Governments	\$ <u>3,484</u>

Education Fund:	
Illinois Community College Board	70,003
Illinois State Board of Education	168,245
Regional Office of Education No. 50	<u>11,626</u>
	<u>249,874</u>

Nonmajor Enterprise Funds:	
Local Governments	<u>400</u>
	<u>\$ 253,758</u>

Agency Funds:	
Local Governments	<u>\$ 1,064,468</u>

Due to Other Governments:

Education Fund:	
Illinois Community College Board	\$ 11,068
Illinois State Board of Education	<u>2,463</u>
	<u>\$ 13,531</u>

Agency Funds:	
Local Governments	<u>\$ 1,069,475</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**NOTES TO FINANCIAL STATEMENTS**

**7. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
<b>Governmental activities:</b>				
Capital assets being depreciated:				
Equipment	\$ 199,001	\$ 12,732	\$ -	\$ 211,733
Less accumulated depreciation for:				
Equipment	<u>(168,701)</u>	<u>(9,747)</u>	<u>-</u>	<u>(178,448)</u>
Governmental activities capital assets, net	<u>\$ 30,300</u>	<u>\$ 2,985</u>	<u>\$ -</u>	<u>\$ 33,285</u>
 <b>Business-type activities:</b>				
Capital assets being depreciated:				
Equipment	\$ 6,621	\$ -	\$ -	\$ 6,621
Less accumulated depreciation for:				
Equipment	<u>(5,225)</u>	<u>(588)</u>	<u>-</u>	<u>(5,813)</u>
Business-type activities capital assets, net	<u>\$ 1,396</u>	<u>\$ (588)</u>	<u>\$ -</u>	<u>\$ 808</u>

Depreciation expense was charged to functions/programs of the Regional Office of Education No. 40 as follows:

Governmental activities:	
Instructional services	<u>\$ 9,747</u>
Business-type activities:	
Operating expenses	<u>\$ 588</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT FUND COMMITMENTS**

**A. Teachers' Retirement System of the State of Illinois**

**Plan Description**

The Regional Office of Education No. 40 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

TRS issues a publicly available financial report that can be obtained at <https://www.trsil.org>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 678-3675.

**Benefits Provided**

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

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

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

CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40

NOTES TO FINANCIAL STATEMENTS

8. **RETIREMENT FUND COMMITMENTS** (Continued)

A. **Teachers' Retirement System of the State of Illinois** (Continued)

**Contributions**

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

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2016, was 9.4 percent of creditable earnings. On July 1, 2016, the rate dropped to 9.0 percent of pay due to the expiration of the Early Retirement Option. 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. 40.

**On behalf contributions to TRS** – The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education No. 40. For the year ended June 30, 2017, State of Illinois contributions recognized by the Regional Office of Education No. 40 were based on the State's proportionate share of the collective net pension liability associated with the Regional Office of Education No. 40, and the Regional Office of Education No. 40 recognized revenue and expenditures of \$195,906 in pension contributions from the State of Illinois.

**2.2 formula contributions** – Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2017, were \$1,594, and are deferred because they were paid after the June 30, 2016 measurement date.

**Federal and special trust fund contributions** – When TRS members are paid from federal and special trust funds administered by the Regional Office of Education No. 40, there is a statutory requirement for the Regional Office of Education No. 40 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the State contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2017, the employer pension contribution was 38.54 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2017, no salaries were paid from federal and special trust funds that required employer contributions.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT FUND COMMITMENTS** (Continued)

**A. Teachers' Retirement System of the State of Illinois** (Continued)

**Contributions** (Continued)

**Employer retirement cost contributions** – Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The Regional Office of Education No. 40 is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the program that ended on June 30, 2016 is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2017, the Regional Office of Education No. 40 paid no employer ERO contributions to TRS for retirements that occurred before July 1, 2016.

The Regional Office of Education No. 40 is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2017, the Regional Office of Education No. 40 made no payments to TRS for employer contributions due on salary increases in excess of 6 percent or for sick leave days granted in excess of the normal annual allotment.

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

At June 30, 2017, the Regional Office of Education No. 40 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:

Employer's proportionate share of the net pension liability	\$ 68,914
State's proportionate share of the net pension liability associated with the employer	1,994,848
Total	\$ 2,063,762

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
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**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT FUND COMMITMENTS** (Continued)

**A. Teachers' Retirement System of the State of Illinois** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, and rolled forward to June 30, 2016. The Regional Office of Education No. 40's proportion of the net pension liability was based on the employer's share of contributions to TRS for the measurement year ended June 30, 2016, relative to the contributions of all participating TRS employers and the State during that period. At June 30, 2016, the Regional Office of Education No. 40's proportion was 0.0000873035 percent, which was an increase of 0.0000389655 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Regional Office of Education No. 40 recognized pension expense of \$195,906 and revenue of \$195,906 for support provided by the State. For the year ended June 30, 2017, the Regional Office of Education No. 40 recognized pension expense of \$3,058. At June 30, 2017, the Regional Office of Education No. 40 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b><u>Deferred Amounts Related to Pensions</u></b>	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
<b>Deferred Amounts to be Recognized in Pension Expense in Future Periods</b>		
Differences between expected and actual experience	\$ 510	\$ 47
Net difference between projected and actual earnings on pension plan investments	1,947	-
Changes of assumptions	5,919	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	36,349	46,221
	<hr/>	<hr/>
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	44,725	46,268
<b>Employer Contributions Made Subsequent to the Measurement Date</b>	1,594	-
	<hr/>	<hr/>
<b>Total Deferred Amounts Related to Pensions</b>	<b>\$ 46,319</b>	<b>\$ 46,268</b>
	<hr/> <hr/>	<hr/> <hr/>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT FUND COMMITMENTS** (Continued)

**A. Teachers' Retirement System of the State of Illinois** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

\$1,594 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows in these reporting years:

<b>Year Ending June 30,</b>	<b>Net Deferred Inflows of of Resources</b>
2018	\$ 1,670
2019	1,670
2020	6,426
2021	(6,901)
2022	(1,322)
Total	\$ 1,543

**Actuarial Assumptions**

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

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

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
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**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT FUND COMMITMENTS** (Continued)

**A. Teachers' Retirement System of the State of Illinois** (Continued)

**Actuarial Assumptions** (Continued)

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

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

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT FUND COMMITMENTS** (Continued)

**A. Teachers' Retirement System of the State of Illinois** (Continued)

**Discount Rate**

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

Based on those assumptions, TRS's fiduciary net position at June 30, 2016 was not projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier I's liability is partially-funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. Despite the subsidy, all projected future payments were not covered, so a slightly lower long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

At June 30, 2015, the discount rate used to measure the total pension liability was 7.47 percent. The discount rate was lower than the actuarially-assumed rate of return on investments that year as well because TRS's fiduciary net position and the subsidy provided by Tier II were not sufficient to cover all projected benefit payments.

**Sensitivity of the Regional Office of Education No. 40's proportionate share of the net pension liability to changes in the discount rate**

The following presents the Regional Office of Education No. 40's proportionate share of the net pension liability calculated using the discount rate of 6.83 percent, as well as what the Regional Office of Education No. 40's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.83 percent) or 1-percentage-point higher (7.83 percent) than the current rate.

	<b>1% Lower (5.83%)</b>	<b>Current Discount Rate (6.83%)</b>	<b>1% Higher (7.83%)</b>
Employer's proportionate share of the net pension liability	\$ 84,285	\$ 68,914	\$ 56,360

**TRS Fiduciary Net Position**

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

CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40

NOTES TO FINANCIAL STATEMENTS

8. **RETIREMENT FUND COMMITMENTS** (Continued)

B. **Illinois Municipal Retirement Fund**

**IMRF Plan Description**

The Regional Office of Education No. 40'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. 40'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 document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

**Benefits Provided**

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

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.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
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**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT FUND COMMITMENTS** (Continued)

**B. Illinois Municipal Retirement Fund** (Continued)

**Benefits Provided** (Continued)

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

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

**Employees Covered by Benefit Terms**

As of December 31, 2016, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	8
Inactive plan members entitled to but not yet receiving benefits	18
Active plan members	7
Total	33

**Contributions**

As set by statute, the Regional Office of Education No. 40'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. 40's annual contribution rate for calendar year 2016 was 8.88%. For the calendar year 2016, the Regional Office of Education No. 40 contributed \$16,093 to the plan. The Regional Office of Education No. 40 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.

**CALHOON, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT FUND COMMITMENTS** (Continued)

**B. Illinois Municipal Retirement Fund** (Continued)

**Net Pension Liability**

The Regional Office of Education No. 40's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

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

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.75%.
- Salary Increases were expected to be 3.75% to 14.50%, including inflation.
- The Investment Rate of Return was assumed to be 7.50%.
- Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2016:

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT FUND COMMITMENTS** (Continued)

**B. Illinois Municipal Retirement Fund** (Continued)

**Actuarial Assumptions** (Continued)

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	38%	6.85%
International equity	17%	6.75%
Fixed income	27%	3.00%
Real estate	8%	5.75%
Alternative investments	9%	2.65-7.35%
Cash equivalents	1%	2.25%
Total	<u>100%</u>	

**Single Discount Rate**

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

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.78%, and the resulting single discount rate is 7.50%.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT FUND COMMITMENTS** (Continued)

**B. Illinois Municipal Retirement Fund** (Continued)

**Changes in the Net Pension Liability**

	<b>Total Pension Liability (A)</b>	<b>Plan Fiduciary Net Position (B)</b>	<b>Net Pension Liability (Asset) (A) - (B)</b>
<b>Balances at December 31, 2015</b>	\$ 955,923	\$ 956,328	\$ (405)
<b>Changes for the year:</b>			
Service Cost	20,135	-	20,135
Interest on the total pension liability	70,529	-	70,529
Differences between expected and actual experience of the total pension liability	112,218	-	112,218
Contributions - employer	-	16,093	(16,093)
Contributions - employees	-	8,155	(8,155)
Net investment income	-	85,206	(85,206)
Benefit payments, including refunds of employee contributions	(52,725)	(52,725)	-
Other (net transfer)	-	(1,246)	1,246
Net changes	<u>150,157</u>	<u>55,483</u>	<u>94,674</u>
<b>Balances at December 31, 2016</b>	<u>\$ 1,106,080</u>	<u>\$ 1,011,811</u>	<u>\$ 94,269</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:

	<b>1% Lower (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Higher (8.5%)</b>
Net Pension Liability (Asset)	<u>\$ 214,655</u>	<u>\$ 94,269</u>	<u>\$ (3,893)</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT FUND COMMITMENTS** (Continued)

**B. Illinois Municipal Retirement Fund** (Continued)

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

For the year ended June 30, 2017, the Regional Office of Education No. 40 recognized pension expense of \$64,870. At June 30, 2017, the Regional Office of Education No. 40 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b><u>Deferred Amounts Related to Pensions</u></b>	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
<b>Deferred Amounts to be Recognized in Pension Expense in Future Periods</b>		
Differences between expected and actual experience	\$ 61,224	\$ 12,094
Net difference between projected and actual earnings on pension plan investments	<u>45,021</u>	<u>-</u>
Total Deferred Amount to be Recognized in Pension Expense in Future Periods	106,245	12,094
<b>Pension Contributions Made Subsequent to the Measurement Date</b>	<u>5,473</u>	<u>-</u>
<b>Total Deferred Amounts Related to Pensions</b>	<u><u>\$ 111,718</u></u>	<u><u>\$ 12,094</u></u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT FUND COMMITMENTS** (Continued)

**B. Illinois Municipal Retirement Fund** (Continued)

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** (Continued)

\$5,473 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<b>Year Ending December 31,</b>	<b>Net Deferred Outflows of Resources</b>
2017	\$ 66,186
2018	17,056
2019	13,669
2020	(2,760)
Total	\$ 94,151

**C. Social Security**

Employees not qualifying for coverage under the Illinois Teachers' Retirement System or the Illinois Municipal Retirement Fund are considered "nonparticipating employees". These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under Social Security.

**9. OTHER POSTEMPLOYMENT BENEFITS**

**A. Teacher Health Insurance Security Fund**

The Regional Office of Education No. 40 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the State-administered participating provider option plan or choose from several managed care options. Annuitants who are enrolled in Medicare Parts A and B may be eligible to enroll in a Medicare Advantage plan.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**NOTES TO FINANCIAL STATEMENTS**

**9. OTHER POST-EMPLOYMENT BENEFITS** (Continued)

**A. Teacher Health Insurance Security Fund** (Continued)

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 the THIS Fund.

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

**On Behalf Contributions to the THIS Fund**

The State of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office of Education No. 40. State contributions are intended to match contributions to the THIS Fund from active members, which were 1.12 percent of pay during the year ended June 30, 2017. State of Illinois contributions were \$3,078, and the Regional Office of Education No. 40 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2016 and 2015 were 1.07 and 1.02 percent of pay, respectively. State contributions on behalf of Regional Office of Education No. 40 employees were \$2,646 and \$2,085, respectively.

**Employer Contributions to the THIS Fund**

The Regional Office of Education No. 40 also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.84 percent during the year ended June 30, 2017 and 0.80 and 0.76 percent during the years ended June 30, 2016 and June 30, 2015, respectively. For the year ended June 30, 2017, the Regional Office of Education No. 40 paid \$2,308 to the THIS Fund, which was 100 percent of the required contribution. For the years ended June 30, 2016 and June 30, 2015, the Regional Office of Education No. 40 paid \$1,978 and \$1,554 to the THIS Fund, respectively, which was 100 percent of the required contribution.

**Further Information on the THIS Fund**

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**NOTES TO FINANCIAL STATEMENTS**

**9. OTHER POST-EMPLOYMENT BENEFITS** (Continued)

**B. Other Postemployment Benefits**

The Regional Office of Education No. 40 allows employees, who retire through the Regional Office of Education No. 40's plan disclosed in Note 8B, the option to continue in the Regional Office of Education No. 40's health insurance plan as required by the Illinois Compiled Statutes, but the retiree pays the full premium for the health insurance. This has not created an implicit subsidy as defined by GASB Statement No. 45 (GASB S-45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as the Regional Office of Education No. 40's health insurance plan is considered a community rated plan. In addition, the Regional Office of Education No. 40 has no explicit subsidy as defined in GASB S-45.

**10. NOTES PAYABLE**

The Regional Office of Education No. 40 entered into a loan agreement with the County of Jersey, Illinois, on April 1, 2014 for the remodeling of the Jerseyville Regional Office in the amount of \$7,800. Debt retired during the year ended June 30, 2017 was \$2,600. The outstanding note matured on July 1, 2016.

**11. ON-BEHALF PAYMENTS**

The State of Illinois paid the following salaries, benefits, and contributions on behalf of the Regional Office of Education No. 40:

State of Illinois:	
Regional Superintendent - salary	\$ 107,952
Regional Superintendent - benefits (includes State paid insurance)	21,940
Assistant Regional Superintendent - salary	97,152
Assistant Regional Superintendent - benefits (includes State paid insurance)	35,458
THIS contributions	<u>3,078</u>
	<u>\$ 265,580</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). The on-behalf payments are reflected as revenues and expenditures of the General Fund.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**NOTES TO FINANCIAL STATEMENTS**

**11. ON-BEHALF PAYMENTS** (Continued)

The Regional Office of Education No. 40 also recorded \$195,906 (based on figures for the fiscal year ended June 30, 2016) 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. 40 has not included any on-behalf payments related to the State's TRS pension expense for the Regional Superintendent or Assistant Regional Superintendent.

State of Illinois on-behalf payments	\$ 265,580
On-behalf payments for the Regional Office of Education's share of TRS pension expense	<u>195,906</u>
Total	<u><u>\$ 461,486</u></u>

**12. RISK MANAGEMENT**

The Regional Office of Education No. 40 is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation; and natural disasters. The Regional Office of Education No. 40 is covered by commercial insurance to cover these risks of loss. No settlements have exceeded insurance coverage in the current or three previous years.

**13. BOND**

The Illinois School Code (105 ILCS 5/3-2) directs the Regional Office of Education No. 40 to execute a bond of not less than \$100,000 on the Regional Superintendent. The Regional Office of Education No. 40 has secured and maintained such a bond with coverage of \$100,000 on the Regional Superintendent.

**14. CONTINGENCIES**

The Regional Office of Education No. 40 has received funding from federal and State grants in the current and prior years, which are subject to audits by granting agencies. The Regional Office of Education No. 40 believes any adjustments that may arise will be insignificant to the Regional Office of Education No. 40's operations except the adjustments as noted in Finding 2017-002.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**NOTES TO FINANCIAL STATEMENTS**

**15. DEFICIT FUND BALANCES**

The following individual funds had negative fund balances as of June 30, 2017:

Regional Safe Schools	\$ 63,588
ROE/ISC Operations	415
Truants Alternative/Optional Education	104,285

The deficit fund balances will be eliminated during the fiscal year ending June 30, 2018 by transferring funds to reduce these deficit fund balances and by recognizing unavailable revenues at June 30, 2017 as revenue.

**REQUIRED SUPPLEMENTARY INFORMATION  
(OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS)**

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**ILLINOIS MUNICIPAL RETIREMENT FUND -  
SCHEDULES OF CHANGES IN THE NET PENSION LIABILITY (ASSET)  
AND RELATED RATIOS  
(UNAUDITED)**

**For the years ended June 30, 2017, 2016, and 2015**

**(Amounts presented are for the calendar years ended December 31, 2016, 2015, and 2014)**

<b>Total Pension Liability</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Service cost	\$ 20,135	\$ 20,012	\$ 23,686
Interest on the total pension liability	70,529	70,881	64,919
Differences between expected and actual experience of the total pension liability	112,218	(55,660)	(15,388)
Changes of assumptions	-	-	35,418
Benefit payments, including refunds of employee contributions	<u>(52,725)</u>	<u>(27,248)</u>	<u>(28,115)</u>
<b>Net change in total pension liability</b>	150,157	7,985	80,520
<b>Total pension liability - beginning</b>	<u>955,923</u>	<u>947,938</u>	<u>867,418</u>
<b>Total pension liability - ending (A)</b>	<u>1,106,080</u>	<u>955,923</u>	<u>947,938</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	16,093	17,857	30,180
Contributions - employees	8,155	8,998	9,879
Net investment income	85,206	(10,160)	51,159
Benefit payments, including refunds of employee contributions	(52,725)	(27,248)	(28,115)
Other (net transfer)	<u>(1,246)</u>	<u>1,428</u>	<u>(675)</u>
<b>Net change in plan fiduciary net position</b>	55,483	(9,125)	62,428
<b>Plan fiduciary net position - beginning</b>	<u>956,328</u>	<u>965,453</u>	<u>903,025</u>
<b>Plan fiduciary net position - ending (B)</b>	<u>1,011,811</u>	<u>956,328</u>	<u>965,453</u>
<b>Net pension liability (asset) - ending (A) - (B)</b>	<u>\$ 94,269</u>	<u>\$ (405)</u>	<u>\$ (17,515)</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	91.48%	100.04%	101.85%
<b>Covered Payroll</b>	\$ 181,224	\$ 199,967	\$ 219,532
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	52.02%	-0.20%	-7.98%

**Notes to Schedules:**

These schedules are 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.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**ILLINOIS MUNICIPAL RETIREMENT FUND -  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
(UNAUDITED)**

**For the years ended June 30, 2017, 2016, and 2015**

**(Amounts presented are for the calendar years ended December 31, 2016, 2015, and 2014)**

<b>Calendar Year Ended December 31,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Actual Contribution as a Percentage of Covered Payroll</b>
2016	\$ 16,093	\$ 16,093	\$ -	\$ 181,224	8.88%
2015	17,857	17,857	-	199,967	8.93%
2014	30,186	30,180	6	219,532	13.75%

**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.

**Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2016 Contribution Rate\***

***Valuation Date:***

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

**Methods and Assumptions Used to Determine 2016 Contribution Rates:**

Actuarial Cost Method:	Aggregate entry age = normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	27-year closed period
Asset Valuation Method:	5-year smoothed market; 20% corridor
Wage Growth:	3.50%
Price Inflation:	2.75%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	3.75% to 14.50%, including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**ILLINOIS MUNICIPAL RETIREMENT FUND -  
SCHEDULE OF EMPLOYER CONTRIBUTIONS (Concluded)  
(UNAUDITED)**

**For the years ended June 30, 2017, 2016, and 2015**

**(Amounts presented are for the calendar years ended December 31, 2016, 2015, and 2014)**

**Methods and Assumptions Used to Determine 2016 Contribution Rates:** (Concluded)

Mortality: RP-2014 Blue Collar Health Annuitant Mortality Table, adjusted to match current IMRF experience. For disabled lives, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

***Other Information:***

There were no benefit changes during the year.

\* Based on Valuation Assumptions used in the December 31, 2014, actuarial valuation; note two year lag between valuation and rate setting.

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**TEACHERS' RETIREMENT SYSTEM  
OF THE STATE OF ILLINOIS -  
SCHEDULES OF EMPLOYER'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
(UNAUDITED)**

**For the years ended June 30, 2017, 2016, and 2015)  
(Amounts presented are for the years ended June 30, 2016, 2015, and 2014)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's proportion of the net pension liability	0.0000873035%	0.0000483380%	0.0001700755%
Employer's proportionate share of the net pension liability	\$ 68,914	\$ 31,666	\$ 103,505
State's proportionate share of the net pension liability associated with the employer	<u>1,994,848</u>	<u>1,323,866</u>	<u>1,566,428</u>
Total	<u>\$ 2,063,762</u>	<u>\$ 1,355,532</u>	<u>\$ 1,669,933</u>
Employer's covered payroll	\$ 275,424	\$ 211,946	\$ 299,998
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	25.0%	14.9%	34.5%
Plan fiduciary net position as a percentage of the total pension liability	36.4%	41.5%	43.0%

**Notes to Schedules:**

**Changes of assumptions**

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

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

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

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**TEACHERS' RETIREMENT SYSTEM  
OF THE STATE OF ILLINOIS -  
SCHEDULES OF EMPLOYER CONTRIBUTIONS  
(UNAUDITED)  
For the years ended June 30,**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily-required contribution	\$ 1,594	\$ 3,256	\$ 1,694	\$ 6,084
Contributions in relation to the statutorily-required contribution	<u>1,594</u>	<u>3,256</u>	<u>1,694</u>	<u>6,068</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16</u>
Employer's covered payroll	\$ 274,783	\$ 275,424	\$ 211,946	\$ 299,998
Contributions as a percentage of covered payroll	0.6%	1.2%	0.8%	2.0%

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

**SUPPLEMENTARY INFORMATION**

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**COMBINING SCHEDULE OF ACCOUNTS  
GENERAL FUND  
June 30, 2017**

	<u>Administrative</u>	<u>Alternative Schools Fund</u>	<u>Direct Services</u>	<u>General State Aid</u>	<u>Jerseyville Office Remodel</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 27	\$ 193	\$ 1,429	\$ -	\$ -
Due from other funds	-	49,993	-	116,804	-
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 27</u>	<u>\$ 50,186</u>	<u>\$ 1,429</u>	<u>\$ 116,804</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 11	\$ 21	\$ 30	\$ 47	\$ -
Unearned revenue	-	-	-	-	-
Total liabilities	11	21	30	47	-
<b>FUND BALANCES</b>					
Unassigned	<u>16</u>	<u>50,165</u>	<u>1,399</u>	<u>116,757</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 27</u>	<u>\$ 50,186</u>	<u>\$ 1,429</u>	<u>\$ 116,804</u>	<u>\$ -</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**COMBINING SCHEDULE OF ACCOUNTS (Concluded)  
GENERAL FUND  
June 30, 2017**

	Jerseyville Office Account	Macoupin County Monies	Regional Initiative	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 27,143	\$ -	\$ 1,571	\$ 30,363
Due from other funds	-	52,987	15,000	234,784
Due from other governments	3,484	-	-	3,484
Total assets	<u>\$ 30,627</u>	<u>\$ 52,987</u>	<u>\$ 16,571</u>	<u>\$ 268,631</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 109
Unearned revenue	7,170	8,227	-	15,397
Total liabilities	7,170	8,227	-	15,506
<b>FUND BALANCES</b>				
Unassigned	<u>23,457</u>	<u>44,760</u>	<u>16,571</u>	<u>253,125</u>
Total liabilities and fund balances	<u>\$ 30,627</u>	<u>\$ 52,987</u>	<u>\$ 16,571</u>	<u>\$ 268,631</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GENERAL FUND ACCOUNTS  
For the year ended June 30, 2017**

	Administrative	Alternative Schools Fund	Direct Services	General State Aid	Jerseyville Office Remodel
<b>Revenues:</b>					
Local sources	\$ 309	\$ -	\$ 22,174	\$ 2,350	\$ -
State sources	-	80,771	-	248,642	-
On-behalf payments	265,580	-	-	-	-
Interest	-	14	-	27	-
<b>Total revenues</b>	<b>265,889</b>	<b>80,785</b>	<b>22,174</b>	<b>251,019</b>	<b>-</b>
<b>Expenditures:</b>					
Salaries	-	30,461	4,246	137,568	-
Benefits	-	6,357	325	28,762	-
Purchased services	104	1,324	15,860	28,768	-
Supplies and materials	-	-	1	-	-
Capital outlay	-	-	-	7,137	-
Pension expense	-	465	313	2,168	-
On-behalf payments	265,580	-	-	-	-
<b>Total expenditures</b>	<b>265,684</b>	<b>38,607</b>	<b>20,745</b>	<b>204,403</b>	<b>-</b>
<b>Excess of revenues over expenditures</b>	<b>205</b>	<b>42,178</b>	<b>1,429</b>	<b>46,616</b>	<b>-</b>
<b>Other financing sources (uses):</b>					
Payments on long-term debt	-	-	-	-	(2,600)
Transfers in	-	-	-	-	2,600
Transfers out	-	(1,301)	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(1,301)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>205</b>	<b>40,877</b>	<b>1,429</b>	<b>46,616</b>	<b>-</b>
<b>Fund balances (deficits), beginning of year</b>	<b>(189)</b>	<b>9,288</b>	<b>(30)</b>	<b>70,141</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 16</b>	<b>\$ 50,165</b>	<b>\$ 1,399</b>	<b>\$ 116,757</b>	<b>\$ -</b>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES (Concluded)  
GENERAL FUND ACCOUNTS  
For the year ended June 30, 2017**

	Jerseyville Office Account	Macoupin County Monies	Regional Initiative	Eliminations	Total
<b>Revenues:</b>					
Local sources	\$ 69,782	\$ 61,783	\$ -	\$ -	\$ 156,398
State sources	-	-	-	-	329,413
On-behalf payments	-	-	-	-	265,580
Interest	-	-	-	-	41
<b>Total revenues</b>	<b>69,782</b>	<b>61,783</b>	<b>-</b>	<b>-</b>	<b>751,432</b>
<b>Expenditures:</b>					
Salaries	43,429	36,046	-	-	251,750
Benefits	9,752	3,491	-	-	48,687
Purchased services	1,167	4,093	-	-	51,316
Supplies and materials	-	-	-	-	1
Capital outlay	-	-	-	-	7,137
Pension expense	3,226	2,658	-	-	8,830
On-behalf payments	-	-	-	-	265,580
<b>Total expenditures</b>	<b>57,574</b>	<b>46,288</b>	<b>-</b>	<b>-</b>	<b>633,301</b>
<b>Excess of revenues over expenditures</b>	<b>12,208</b>	<b>15,495</b>	<b>-</b>	<b>-</b>	<b>118,131</b>
<b>Other financing sources (uses):</b>					
Payments on long-term debt	-	-	-	-	(2,600)
Transfers in	-	-	-	(2,600)	-
Transfers out	(1,299)	-	-	2,600	-
<b>Total other financing sources (uses)</b>	<b>(1,299)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,600)</b>
<b>Net change in fund balance</b>	<b>10,909</b>	<b>15,495</b>	<b>-</b>	<b>-</b>	<b>115,531</b>
Fund balances (deficits), beginning of year	12,548	29,265	16,571	-	137,594
<b>Fund balances, end of year</b>	<b>\$ 23,457</b>	<b>\$ 44,760</b>	<b>\$ 16,571</b>	<b>\$ -</b>	<b>\$ 253,125</b>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND  
June 30, 2017**

	Adult Education Programs	Regional Safe Schools	ROE/ISC Operations	Teen Parent Services
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,068	\$ -	\$ 2,451	\$ 5,471
Due from other governments	70,003	63,588	-	-
Total assets	\$ 77,071	\$ 63,588	\$ 2,451	\$ 5,471
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 403	\$ -
Due to other funds	66,003	63,588	-	-
Due to other governments	11,068	-	2,463	-
Total liabilities	77,071	63,588	2,866	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	-	63,588	-	-
<b>FUND BALANCES (DEFICITS)</b>				
Restricted	-	-	-	5,471
Unassigned	-	(63,588)	(415)	-
Total fund balances (deficits)	-	(63,588)	(415)	5,471
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 77,071	\$ 63,588	\$ 2,451	\$ 5,471

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**COMBINING SCHEDULE OF ACCOUNTS (Concluded)  
EDUCATION FUND  
June 30, 2017**

	Title I System of Support	Truants Alternative/ Optional Education	Title II Teacher Quality Leadership	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 14,990
Due from other governments	11,626	104,157	500	249,874
Total assets	<u>\$ 11,626</u>	<u>\$ 104,157</u>	<u>\$ 500</u>	<u>\$ 264,864</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 45	\$ -	\$ 448
Due to other funds	11,626	104,240	500	245,957
Due to other governments	-	-	-	13,531
Total liabilities	<u>11,626</u>	<u>104,285</u>	<u>500</u>	<u>259,936</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	-	104,157	-	167,745
<b>FUND BALANCES (DEFICITS)</b>				
Restricted	-	-	-	5,471
Unassigned	-	(104,285)	-	(168,288)
Total fund balances (deficits)	<u>-</u>	<u>(104,285)</u>	<u>-</u>	<u>(162,817)</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 11,626</u>	<u>\$ 104,157</u>	<u>\$ 500</u>	<u>\$ 264,864</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
EDUCATION FUND ACCOUNTS  
For the year ended June 30, 2017**

	Adult Education Programs	Regional Safe Schools	ROE/ISC Operations	Teen Parent Services
Revenues:				
Local sources	\$ -	\$ -	\$ -	\$ 2,391
State sources	68,760	-	100,011	-
Federal sources	33,820	-	-	-
Interest	-	-	82	-
Total revenues	<u>102,580</u>	<u>-</u>	<u>100,093</u>	<u>2,391</u>
Expenditures:				
Salaries	92,973	43,294	36,445	-
Benefits	3,767	1,197	8,426	-
Purchased services	3,598	12,469	43,756	-
Supplies and materials	835	4,260	1,279	235
Capital outlay	-	2,000	3,595	-
Other	-	-	4,324	-
Payments to other governments	-	-	-	-
Pension expense	1,407	368	2,683	-
Total expenditures	<u>102,580</u>	<u>63,588</u>	<u>100,508</u>	<u>235</u>
Net change in fund balances	-	(63,588)	(415)	2,156
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,315</u>
Fund balances (deficits), end of year	<u>\$ -</u>	<u>\$ (63,588)</u>	<u>\$ (415)</u>	<u>\$ 5,471</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES (Concluded)  
EDUCATION FUND ACCOUNTS  
For the year ended June 30, 2017**

	Title I System of Support	Truants Alternative/ Optional Education	Title II Teacher Quality Leadership	Total
<b>Revenues:</b>				
Local sources	\$ -	\$ -	\$ -	\$ 2,391
State sources	-	-	-	168,771
Federal sources	17,384	-	700	51,904
Interest	-	-	-	82
Total revenues	<u>17,384</u>	<u>-</u>	<u>700</u>	<u>223,148</u>
<b>Expenditures:</b>				
Salaries	-	72,417	-	245,129
Benefits	-	3,527	-	16,917
Purchased services	16,875	21,721	700	99,119
Supplies and materials	509	280	-	7,398
Capital outlay	-	-	-	5,595
Other	-	-	-	4,324
Payments to other governments	-	4,354	-	4,354
Pension expense	-	1,986	-	6,444
Total expenditures	<u>17,384</u>	<u>104,285</u>	<u>700</u>	<u>389,280</u>
Net change in fund balances	-	(104,285)	-	(166,132)
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,315</u>
Fund balances (deficits), end of year	<u>\$ -</u>	<u>\$ (104,285)</u>	<u>\$ -</u>	<u>\$ (162,817)</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**COMBINING SCHEDULE OF ACCOUNTS  
ADULT EDUCATION PROGRAMS  
June 30, 2017**

	<u>Federal Basic</u>	<u>State Basic</u>	<u>State Performance</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,068	\$ -	\$ -	\$ 7,068
Due from other governments	4,000	39,743	26,260	70,003
Total assets	<u>\$ 11,068</u>	<u>\$ 39,743</u>	<u>\$ 26,260</u>	<u>\$ 77,071</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ 39,743	\$ 26,260	\$ 66,003
Due to other governments	11,068	-	-	11,068
Total liabilities	11,068	39,743	26,260	77,071
<b>FUND BALANCES</b>				
Unassigned	-	-	-	-
Total liabilities and fund balances	<u>\$ 11,068</u>	<u>\$ 39,743</u>	<u>\$ 26,260</u>	<u>\$ 77,071</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
ADULT EDUCATION PROGRAMS  
For the year ended June 30, 2017**

	<u>Federal Basic</u>	<u>State Basic</u>	<u>State Performance</u>	<u>Total</u>
Revenues:				
State sources	\$ -	\$ 42,500	\$ 26,260	\$ 68,760
Federal sources	33,820	-	-	33,820
Total revenues	<u>33,820</u>	<u>42,500</u>	<u>26,260</u>	<u>102,580</u>
Expenditures				
Salaries	29,700	40,429	22,844	92,973
Benefits	666	1,212	1,889	3,767
Purchased services	2,313	680	605	3,598
Supplies and materials	835	-	-	835
Pension expense	306	179	922	1,407
Total expenditures	<u>33,820</u>	<u>42,500</u>	<u>26,260</u>	<u>102,580</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNTS  
ADULT EDUCATION - FEDERAL BASIC  
For the year ended June 30, 2017**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Federal sources	\$ 25,502	\$ 33,820	\$ 33,820
Expenditures:			
Salaries	18,494	25,500	29,700
Benefits	900	7,000	666
Purchased services	1,700	-	2,313
Supplies and materials	4,408	1,320	835
Pension expense	-	-	306
Total expenditures	25,502	33,820	33,820
Net change in fund balance	\$ -	\$ -	-
Fund balance, beginning of year			-
Fund balance, end of year			\$ -

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNTS  
ADULT EDUCATION - STATE BASIC  
FISCAL YEAR 2016 GRANT  
For the year ended June 30, 2017**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
State sources	\$ 27,583	\$ 27,583	\$ 2,757
Expenditures:			
Salaries	25,362	25,362	2,333
Benefits	1,050	1,050	334
Purchased services	1,171	1,171	90
Total expenditures	27,583	27,583	2,757
Net change in fund balance	\$ -	\$ -	-
Fund balance, beginning of year			-
Fund balance, end of year			\$ -

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNTS  
ADULT EDUCATION - STATE BASIC  
FISCAL YEAR 2017 GRANT  
For the year ended June 30, 2017**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
State sources	\$ 28,674	\$ 42,550	\$ 39,743
Expenditures:			
Salaries	24,521	36,996	38,096
Benefits	608	3,500	878
Purchased services	2,312	54	590
Supplies and materials	1,233	2,000	-
Pension expense	-	-	179
Total expenditures	28,674	42,550	39,743
Net change in fund balance	\$ -	\$ -	-
Fund balance, beginning of year			-
Fund balance, end of year			\$ -

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNTS  
ADULT EDUCATION - STATE PERFORMANCE  
For the year ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
Revenues:			
State sources	\$ 22,188	\$ 26,260	\$ 26,260
Expenditures:			
Salaries	14,969	22,103	22,844
Benefits	5,656	2,096	1,889
Purchased services	1,249	1,761	605
Supplies and materials	314	300	-
Pension expense	-	-	922
Total expenditures	<u>22,188</u>	<u>26,260</u>	<u>26,260</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund balance, beginning of year			<u>-</u>
Fund balance, end of year			<u>\$ -</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNTS  
REGIONAL SAFE SCHOOLS  
For the year ended June 30, 2017**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
State sources	\$ 63,883	\$ 63,883	\$ -
Expenditures:			
Salaries	42,918	42,918	43,294
Benefits	1,148	1,148	1,197
Purchased services	11,104	11,104	12,469
Supplies and materials	6,713	6,713	4,260
Capital outlay	2,000	2,000	2,000
Pension expense	-	-	368
Total expenditures	63,883	63,883	63,588
Net change in fund balance	\$ -	\$ -	(63,588)
Fund balance, beginning of year			-
Fund balance (deficit), end of year			\$ (63,588)

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNTS  
ROE/ISC OPERATIONS  
For the year ended June 30, 2017**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
State sources	\$ 102,474	\$ 102,474	\$ 100,011
Interest	-	-	82
Total revenues	<u>102,474</u>	<u>102,474</u>	<u>100,093</u>
Expenditures:			
Salaries	35,171	35,171	36,445
Benefits	9,942	9,942	8,426
Purchased services	45,361	45,361	43,756
Supplies and materials	4,000	4,000	1,279
Capital outlay	4,000	4,000	3,595
Other	4,000	4,000	4,324
Pension expense	-	-	2,683
Total expenditures	<u>102,474</u>	<u>102,474</u>	<u>100,508</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(415)
Fund balance, beginning of year			<u>-</u>
Fund balance (deficit), end of year			<u>\$ (415)</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNTS  
TITLE I - SYSTEM OF SUPPORT  
For the year ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
Revenues:			
Federal sources	\$ 70,000	\$ 70,000	\$ 17,384
Expenditures:			
Salaries	7,703	7,703	-
Benefits	916	916	-
Purchased services	59,631	59,631	16,875
Supplies and materials	1,750	1,750	509
Total expenditures	<u>70,000</u>	<u>70,000</u>	<u>17,384</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund balance, beginning of year			<u>-</u>
Fund balance, end of year			<u>\$ -</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNTS  
TRUANTS ALTERNATIVE/OPTIONAL EDUCATION  
For the year ended June 30, 2017**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
State sources	\$ 104,599	\$ 104,599	\$ -
Expenditures:			
Salaries	72,627	72,627	72,417
Benefits	5,119	5,119	3,527
Purchased services	22,610	22,610	21,721
Supplies and materials	889	889	280
Payments to other governments	3,354	3,354	4,354
Pension expense	-	-	1,986
Total expenditures	<u>104,599</u>	<u>104,599</u>	<u>104,285</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(104,285)
Fund balance, beginning of year			<u>-</u>
Fund balance (deficit), end of year			<u>\$ (104,285)</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNTS  
TITLE II TEACHER QUALITY LEADERSHIP  
For the year ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
Revenues:			
Federal sources	\$ 2,453	\$ 2,453	\$ 700
Expenditures:			
Salaries	118	118	-
Benefits	20	20	-
Purchased services	2,315	2,315	700
Total expenditures	<u>2,453</u>	<u>2,453</u>	<u>700</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund balance, beginning of year			<u>-</u>
Fund balance, end of year			<u><u>\$ -</u></u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2017**

	Bus Driver Permit Fund	General Education Development Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,195	\$ 13,030	\$ 24,225
Total assets	\$ 11,195	\$ 13,030	\$ 24,225
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
	\$ -	\$ -	\$ -
<b>FUND BALANCES</b>			
Restricted	11,195	13,030	24,225
Total liabilities and fund balances	\$ 11,195	\$ 13,030	\$ 24,225

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
For the year ended June 30, 2017**

	<u>Bus Driver Permit Fund</u>	<u>General Education Development Fund</u>	<u>Total</u>
Revenues:			
Local sources	\$ 2,968	\$ 6,822	\$ 9,790
State sources	1,321	-	1,321
Total revenues	<u>4,289</u>	<u>6,822</u>	<u>11,111</u>
Expenditures:			
Purchased services	2,081	1,567	3,648
Supplies and materials	16	50	66
Total expenditures	<u>2,097</u>	<u>1,617</u>	<u>3,714</u>
Net change in fund balances	2,192	5,205	7,397
Fund balances, beginning of year	<u>9,003</u>	<u>7,825</u>	<u>16,828</u>
Fund balances, end of year	<u>\$ 11,195</u>	<u>\$ 13,030</u>	<u>\$ 24,225</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**COMBINING STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
June 30, 2017**

	<u>Workshops</u>	<u>Administrators' Academy</u>	<u>Olympiad Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 9,018	\$ 250	\$ 10,671	\$ 19,939
Due from other funds	11,376	-	-	11,376
Due from other governments	-	400	-	400
Total current assets	<u>20,394</u>	<u>650</u>	<u>10,671</u>	<u>31,715</u>
Noncurrent assets:				
Capital assets, net	<u>808</u>	<u>-</u>	<u>-</u>	<u>808</u>
Total assets	<u>21,202</u>	<u>650</u>	<u>10,671</u>	<u>32,523</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	-	128	-	128
Due to other funds	-	203	-	203
Total current liabilities	<u>-</u>	<u>331</u>	<u>-</u>	<u>331</u>
<b>NET POSITION</b>				
Net investment in capital assets	808	-	-	808
Unrestricted	<u>20,394</u>	<u>319</u>	<u>10,671</u>	<u>31,384</u>
Total net position	<u>\$ 21,202</u>	<u>\$ 319</u>	<u>\$ 10,671</u>	<u>\$ 32,192</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
For the year ended June 30, 2017**

	<u>Workshops</u>	<u>Administrators' Academy</u>	<u>Olympiad Fund</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 33,590	\$ 1,810	\$ 13,925	\$ 49,325
Operating expenses:				
Salaries	568	-	-	568
Employee benefits	16	-	-	16
Purchased services	17,733	2,055	10,396	30,184
Supplies and materials	714	-	3	717
Depreciation	588	-	-	588
Total operating expenses	<u>19,619</u>	<u>2,055</u>	<u>10,399</u>	<u>32,073</u>
Operating income (loss)	13,971	(245)	3,526	17,252
Net position - beginning of year	<u>7,231</u>	<u>564</u>	<u>7,145</u>	<u>14,940</u>
Net position - end of year	<u><u>\$ 21,202</u></u>	<u><u>\$ 319</u></u>	<u><u>\$ 10,671</u></u>	<u><u>\$ 32,192</u></u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
For the year ended June 30, 2017**

	Workshops	Administrators' Academy	Olympiad Fund	Total
Cash flows from operating activities:				
Collection of fees	\$ 33,590	\$ 1,410	\$ 13,925	\$ 48,925
Payments to suppliers and providers for goods and services	(19,603)	(1,927)	(10,399)	(31,929)
Payments to employees	(2,482)	-	-	(2,482)
Net cash provided by (used for) operating activities	<u>11,505</u>	<u>(517)</u>	<u>3,526</u>	<u>14,514</u>
Cash flows from noncapital financing activities:				
Interfund loans	(11,376)	203	-	(11,173)
Net cash provided by (used for) noncapital financing activities	<u>(11,376)</u>	<u>203</u>	<u>-</u>	<u>(11,173)</u>
Net increase (decrease) in cash and cash equivalents	129	(314)	3,526	3,341
Cash and cash equivalents - beginning of year	<u>8,889</u>	<u>564</u>	<u>7,145</u>	<u>16,598</u>
Cash and cash equivalents - end of year	<u>\$ 9,018</u>	<u>\$ 250</u>	<u>\$ 10,671</u>	<u>\$ 19,939</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 13,971	\$ (245)	\$ 3,526	\$ 17,252
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	588	-	-	588
Increase in due from other governments	-	(400)	-	(400)
Increase in accounts payable	-	128	-	128
Decrease in accrued wages and benefits	(1,898)	-	-	(1,898)
Decrease in due to other governments	(1,156)	-	-	(1,156)
Net cash provided by (used for) operating activities	<u>\$ 11,505</u>	<u>\$ (517)</u>	<u>\$ 3,526</u>	<u>\$ 14,514</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
June 30, 2017**

	Central Illinois Rural Region Career & Technical Education System	Trustee Fund	School Facility Sales Tax	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,993	\$ 14	\$ -	\$ 5,007
Due from other governments	<u>-</u>	<u>-</u>	<u>1,064,468</u>	<u>1,064,468</u>
Total assets	<u>\$ 4,993</u>	<u>\$ 14</u>	<u>\$ 1,064,468</u>	<u>\$ 1,069,475</u>
<b>LIABILITIES</b>				
Due to other governments	<u>\$ 4,993</u>	<u>14</u>	<u>\$ 1,064,468</u>	<u>\$ 1,069,475</u>
Total liabilities	<u>\$ 4,993</u>	<u>\$ 14</u>	<u>\$ 1,064,468</u>	<u>\$ 1,069,475</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
For the year ended June 30, 2017**

**CENTRAL ILLINOIS RURAL REGION**

**CAREER & TECHNICAL  
EDUCATION SYSTEM**

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 337,573	\$ 332,580	\$ 4,993
Due from other governments	12,000	-	12,000	-
Total assets	<u>\$ 12,000</u>	<u>\$ 337,573</u>	<u>\$ 344,580</u>	<u>\$ 4,993</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 12,000	\$ 337,573	\$ 344,580	\$ 4,993
Total liabilities	<u>\$ 12,000</u>	<u>\$ 337,573</u>	<u>\$ 344,580</u>	<u>\$ 4,993</u>

**TRUSTEE FUND**

<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,000	\$ 1,000	\$ 1,986	\$ 14
Total assets	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 1,986</u>	<u>\$ 14</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 1,000	\$ 1,000	\$ 1,986	\$ 14
Total liabilities	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 1,986</u>	<u>\$ 14</u>

**SCHOOL FACILITY**

**SALES TAX**

<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 3,549,024	\$ 3,549,024	\$ -
Due from other governments	527,908	1,064,468	527,908	1,064,468
Total assets	<u>\$ 527,908</u>	<u>\$ 4,613,492</u>	<u>\$ 4,076,932</u>	<u>\$ 1,064,468</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 527,908	\$ 4,613,492	\$ 4,076,932	\$ 1,064,468
Total liabilities	<u>\$ 527,908</u>	<u>\$ 4,613,492</u>	<u>\$ 4,076,932</u>	<u>\$ 1,064,468</u>

**CALHOUN, GREENE, JERSEY, AND MACOUPIN COUNTIES  
REGIONAL OFFICE OF EDUCATION NO. 40**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Concluded)  
AGENCY FUNDS  
For the year ended June 30, 2017**

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<b><u>TOTAL</u></b>				
ASSETS				
Cash and cash equivalents	\$ 1,000	\$3,887,597	\$3,883,590	\$ 5,007
Due from other governments	<u>539,908</u>	<u>1,064,468</u>	<u>539,908</u>	<u>1,064,468</u>
Total assets	<u>\$ 540,908</u>	<u>\$4,952,065</u>	<u>\$4,423,498</u>	<u>\$1,069,475</u>
LIABILITIES				
Due to other governments	<u>\$ 540,908</u>	<u>\$4,952,065</u>	<u>\$4,423,498</u>	<u>\$1,069,475</u>
Total liabilities	<u>\$ 540,908</u>	<u>\$4,952,065</u>	<u>\$4,423,498</u>	<u>\$1,069,475</u>