

State of Illinois
SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

FINANCIAL AUDIT
(In accordance with the Uniform Guidance)
FOR THE YEAR ENDED JUNE 30, 2016

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

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SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

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SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

AGENCY OFFICIALS

For the Year Ended June 30, 2016

Regional Superintendent
(Current and during the audit period)

Mr. Jeff Vose

Assistant Regional Superintendent
(Current and during the audit period)

Ms. Shannon Fehrholz

Offices is located at:

2201 S. Dirksen Parkway
Springfield, IL 62703

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

COMPLIANCE REPORT SUMMARY

For the Year Ended June 30, 2016

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

AUDITOR'S REPORT

The auditor's reports on compliance and internal controls contain scope limitations, disclaimers and other significant non-standard language.

SUMMARY OF AUDIT FINDINGS

Number of	This Audit	Prior Audit
Audit findings	6	4
Repeated audit findings	3	2
Prior recommendations implemented or not repeated	1	1

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

Item No.	Page	Description	Finding Type
<i>FINDINGS (GOVERNMENT AUDITING STANDARDS)</i>			
2016-001	15a	Controls Over Financial Statement Preparation	Material Weakness/ Noncompliance
2016-002	15d	Delay of Audit	Noncompliance
2016-003	15f	Restricted Funds Used for Unauthorized Purpose	Material Weakness/ Noncompliance
2016-004	15g	Financial Records	Material Weakness
2016-005	15h	Reconciliation of Bank Statements	Material Weakness
2016-006	15j	Inadequate Internal Controls over Compliance Requirements	Material Weakness/ Noncompliance
<i>FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)</i>			
2016-006	16	Inadequate Internal Controls over Compliance Requirements	Material Weakness/ Noncompliance
<i>PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)</i>			
2015-003	18	Inadequate Internal Control Procedures	
<i>PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)</i>			
		None	

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

COMPLIANCE REPORT SUMMARY (CONTINUED)

For the Year Ended June 30, 2016

EXIT CONFERENCE

An exit conference to discuss the findings and recommendations appearing in this report was held with the management of Sangamon-Menard Counties Regional Office of Education #51 on February 11, 2019. Attending from the Regional Office were Jeff Vose, Regional Superintendent; Shannon Fehrholz, Assistant Regional Superintendent; and Angie Brentlinger, Fiscal Manager. Attending from Doehring, Winders & Co. LLP were Robert Arnholt, Partner; and Matthew Clarkson, Manager. Sangamon-Menard Counties Regional Office of Education #51's responses to the recommendations and corrective action plans were provided by Angie Brentlinger in an email dated February 21, 2019.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

FINANCIAL STATEMENT REPORT SUMMARY

For the Year Ended June 30, 2016

The audit of the accompanying basic financial statements of the Sangamon-Menard Counties Regional Office of Education #51 was performed by Doehring, Winders & Co. LLP.

Based on their audit, the auditors expressed opinions as shown in the schedule below on the Sangamon-Menard Counties Regional Office of Education #51's basic financial statements.

Schedule of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Disclaimer
Business-Type Activities	Unmodified
General Fund	Qualified
Education Fund	Unmodified
Institute Fund	Unmodified
Cook County General Education Development Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

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

INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we were engaged to audit the accompanying financial statements of the governmental activities and have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Sangamon-Menard Counties Regional Office of Education #51 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Sangamon-Menard Counties Regional Office of Education #51'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. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the governmental activities.

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.

Except for the matter described in the Basis for Disclaimer on the Governmental Activities paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and qualified audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Disclaimer
Business-Type Activities	Unmodified
General Fund	Qualified
Education Fund	Unmodified
Institute Fund	Unmodified
Cook County General Education Development Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Disclaimer of Opinion on the Governmental Activities

The Illinois Municipal Retirement Fund net pension liability, and deferred outflows and inflows of resources as reported in the governmental activities column on the Statement of Net Position, and pension expense reported in the governmental activities on the Statement of Activities are incomplete and contain errors. During the course of our audit we became aware that the actuarial information used to present these items omitted a retirement plan account for which the Regional Office became responsible as a result of the merger with Menard County which was formerly included with Logan/Mason/Menard Counties Regional Office of Education #38 as of July 1, 2015. We also became aware the Regional Office made improper enrollments to the Illinois Municipal Retirement Fund which were captured in the actuarial information presented to us. Management was unable to provide us with corrected actuarial information. The financial effects of these matters are material and impractical to quantify.

Basis for Qualified Opinion on the General Fund

Management was unable to provide us with sufficient appropriate evidence for certain transactions of the General Fund. These transactions increased the net change in fund balance reported by the General Fund by \$48,400. Based on the evidence obtained, we were unable to form an opinion as to whether these transactions represented revenues and expenses of fiscal year 2016 or those of a prior fiscal year.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Governmental Activities" paragraph, we have not been able to obtain sufficient appropriate audit evidence on the governmental activities of the Sangamon-Menard Regional Office of Education #51. Accordingly, we do not express an opinion on the governmental activities as reported on the Statement of Net Position and the Statement of Activities.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of the Sangamon-Menard Regional Office of Education #51, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the Education Fund, the Institute Fund, the Cook County General Education Development Fund, and the aggregate remaining fund information for the Sangamon-Menard Regional Office of Education #51, as of and for the year ended June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 14, the Sangamon-Menard Counties Regional Office of Education #51 consolidated with Menard County, formerly in the Regional Office of Education #38, into its educational service region effective July 1, 2015. Except for the matters described in the Basis for Disclaimer of Opinion on the Governmental Activities paragraph, our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the Employer's Proportionate Share of the Net Pension Liability - Teacher's Retirement System of the State of Illinois, Schedule of Employer Contributions - Teacher's Retirement System of the State of Illinois, Schedule of Employer Contributions - Illinois Municipal Retirement Fund, and Schedule of Changes in the Net Pension Liability and Related Ratios - Illinois Municipal Retirement Fund on pages 63 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sangamon-Menard Counties Regional Office of Education #51's basic financial statements. The combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and the Schedule of Expenditures of Federal Awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and the Schedule of Expenditures of Federal Awards, as required by the Uniform Guidance, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect on the supplementary information of the General Fund as described in the Basis for Qualified Opinion on the General Fund paragraph, the combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and the Schedule of Expenditures of Federal Awards, as required by the Uniform Guidance, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2019, on our consideration of the Sangamon-Menard Counties Regional Office of Education #51's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sangamon-Menard Counties Regional Office of Education #51's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Mattoon, Illinois
March 11, 2019

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

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we were engaged to audit, 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 and have audited, in accordance with the aforementioned standards, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Sangamon-Menard Counties Regional Office of Education #51, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Sangamon-Menard Counties Regional Office of Education #51's basic financial statements, and have issued our report thereon dated March 11, 2019. Our report contains a disclaimer of opinion on the governmental activities of such financial statements because of a scope limitation related to the reporting of the Regional Office's retirement plan with the Illinois Municipal Retirement Fund.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sangamon-Menard Counties Regional Office of Education #51'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 Sangamon-Menard Counties Regional Office of Education #51's internal control. Accordingly, we do not express an opinion on the effectiveness of Sangamon-Menard Counties Regional Office of Education #51's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001, 2016-003, 2016-004, 2016-005, and 2016-006 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sangamon-Menard Counties Regional Office of Education #51's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001, 2016-002, 2016-003, and 2016-006.

Sangamon-Menard Counties Regional Office of Education #51's Responses to Findings

Sangamon-Menard Counties Regional Office of Education #51's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Sangamon-Menard Counties Regional Office of Education #51'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 Sangamon-Menard Counties Regional Office of Education #51'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 Sangamon-Menard Counties Regional Office of Education #51's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Mattoon, Illinois
March 11, 2019

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on Compliance for Each Major Federal Program

We have audited Sangamon-Menard Counties Regional Office of Education #51's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on Sangamon-Menard Counties Regional Office of Education #51's major federal program for the year ended June 30, 2016. The Sangamon-Menard Counties Regional Office of Education #51's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Sangamon-Menard Counties Regional Office of Education #51's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sangamon-Menard Counties Regional Office of Education #51's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Sangamon-Menard Counties Regional Office of Education #51's compliance.

Opinion on Each Major Federal Program

In our opinion, the Sangamon-Menard Counties Regional Office of Education #51 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-006. Our opinion on each major federal program is not modified with respect to these matters.

Sangamon-Menard Counties Regional Office of Education #51's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Sangamon-Menard Counties Regional Office of Education #51's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Sangamon-Menard Counties Regional Office of Education #51 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Sangamon-Menard Counties Regional Office of Education #51's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Sangamon-Menard Counties Regional Office of Education #51's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2016-006, that we consider to be a material weakness.

Sangamon-Menard Counties Regional Office of Education #51's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Sangamon-Menard Counties Regional Office of Education #51's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Mattoon, Illinois
March 11, 2019

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Unmodified, except for
disclaimer of opinion on
governmental activities and
qualified opinion on the
General Fund

Type of auditor's report issued:

Internal control over financial reporting:

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

Federal Awards

Internal control over major federal programs

- Material weakness identified? Yes
- Significant deficiency identified? No

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? No

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Section II - Financial Statement Findings

2016-001 Controls Over Financial Statement Preparation (Repeated from Finding 15-001, 14-001, 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-01)

Criteria/specific requirement:

The Regional Office of Education #51 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Regional Office's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP-based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments* (Statement), requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental fund balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, this 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 No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*, require governments to record and present net accrued pension liabilities/assets, deferred inflows and outflows of resources, and pension expenses. These standards further prescribe the methods and assumptions that are to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of service.

Condition:

The Regional Office of Education #51 does not have sufficient internal controls over the financial reporting process. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP-based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

In addition, the Regional Office did not have adequate controls to record and report its net accrued pension liabilities, deferred outflows and inflows of resources, and pension expense in accordance with GAAP. Proposed adjusting entries were approved and accepted by the Regional Office's management. However, the adjusted pension balances were materially misstated, leading to the disclaimer of opinion on the governmental activities.

During review of the Regional Office of Education #51's financial information prepared by the Regional Office of Education #51, the following was noted:

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Section II - Financial Statement Findings (continued)

2016-001 Controls Over Financial Statement Preparation (Repeated from Finding 15-001, 14-001, 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-01) (continued)

- The Regional Office did not have adequate controls over the maintenance of complete records of cash, accounts receivable, due from other governments, interfund activity, capital assets, accounts payable, accrued salaries and benefits, unavailable revenue, and fund balance. While the Regional Office did adjust their books for most of these accounts and provided records to indicate the balances of other accounts, the adjustments made and information provided contained numerous inaccuracies and omissions.
- The Regional Office was aware that their general ledger was out of balance beginning in prior fiscal years, but did not timely or adequately address the issue. This matter was further complicated by the Regional Office continuing to post transactions with debits not equal to credits.
- The Regional Office did not make any effort to ensure their general ledger agreed to the audited financial statements for the year ended June 30, 2015, leading to numerous issues with the opening balances for the year ended June 30, 2016.
- The Regional Office's financial information required numerous, material adjusting entries in preparation of the financial statements.
- There were several balances noted on the Regional Office's books for which no known underlying transactions had taken place. In eliminating these balances from the Regional Office's books, additional revenue of \$48,400 was recognized in the General Fund. Our opinion on the General Fund is qualified with respect to this matter.

Effect:

The Regional Office of Education #51's management or employees, in the normal course of performing their assigned functions, did not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

Cause:

According to the Regional Office's management, adequate funding levels were not allocated to hire and/or train accounting personnel in order to comply with these requirements and adequately address these issues.

Recommendation:

As part of internal control over the preparation of financial statements, the Regional Office of Education #51 should implement comprehensive preparation procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education #51's activities and operations.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Section II - Financial Statement Findings (continued)

2016-001 Controls Over Financial Statement Preparation (Repeated from Finding 15-001, 14-001, 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-01) (continued)

The Regional Office should develop procedures to ensure that all necessary adjustments have been recorded in its accounting system so that the financial statements are presented in accordance with generally accepted accounting principles.

The Regional Office should develop procedures to ensure that audit journal entries are correctly posted to the accounts resulting in balances that agree with the audited financial statements.

Management's Response:

The Regional Office understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. During FY16, the Regional Office of Education staff had a reasonable understanding of the financial statements and could determine that the information in the financial statements was accurate. However, they lacked the ability to prepare the notes to the financial statements. Beginning with FY17, the Regional Office of Education #51 will utilize staff and other accounting professionals who have proper training and who possess a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office's activities and operations. The Regional Office of Education #51 accepts the auditors' recommendations and has revised policies, procedures and/or practices to address the finding noted. The corrective actions taken will be implemented for the FY 17 financial statements and moving forward.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Section II - Financial Statement Findings (continued)

2016-002 Delay of Audit

Criteria/specific requirement:

Regional Office of Education #51 is subject to 105 ILCS 5/2-3.17a which requires the Auditor General's office to cause an audit to be made, as of June 30th of each year, of the financial statements of all accounts, funds and other moneys in the care, custody or control of the regional superintendent of schools of each educational service region in the State and of each educational service center established in the School Code. The audit is to be conducted in accordance with Generally Accepted Governmental Auditing Standards.

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

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

Condition:

Fieldwork was originally scheduled for the week of November 28, 2016. Auditors were unable to begin fieldwork due to major issues associated with the Regional Office's general ledger not balancing and the beginning fund balances not agreeing with the ending balances from the prior year financial statements.

The original general ledger provided by the Regional Office on November 22, 2016 was out of balance by \$33,989. It was noted the Regional Office had 59 active funds set up in their general ledger, of which 40 were out of balance.

The Regional Office hired an outside accounting firm in May 2017 to assist in fixing the issues with the general ledger. A general ledger was then provided to the auditors at the end of September 2017 and audit fieldwork was scheduled for late October 2017. Fieldwork was not completed at that time due to new issues with the general ledger balances and the auditors left the field.

The Regional Office provided an updated general ledger in December 2017, but auditors noted significant differences between the sum of the cash balances as reported on the general ledger and the bank reconciliation and also noted that interfund loans did not offset each other.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Section II - Financial Statement Findings (continued)

2016-002 Delay of Audit (continued)

Condition (continued):

The Regional Office continued to work with the outside accounting firm through February 2018 and the Regional Office provided an updated general ledger at that time. However, significant differences between the sum of the cash balances as reported on the general ledger and the bank reconciliation still existed. It was also noted that interfund loan balances still did not offset each other since some interfund loan balances were simultaneously considered receivables and payables from transactions with outside parties. These issues were subsequently corrected during audit fieldwork; however, the financial statements still required numerous, material journal entries to correct additional errors and omissions noted.

As a result of these issues, fieldwork for the audit was delayed from November 2016 until May 2018 and extended through October 2018.

Effect:

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

Cause:

According to Regional Office management, the issues with the accounting system appeared to begin when the Regional Office moved to a new accounting software package in a prior year, and these issues were never adequately addressed and were exacerbated by continuing to post out of balance transactions.

Recommendation:

The Regional Office of Education #51 should implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and 74 Ill. Adm. Code 420.320 (c) (2). Annual financial statements should be compiled on an accrual basis of accounting in accordance with GAAP. These financial statements need to be presented to the Auditor General's independent auditors for audit by the August 31 deadline.

Management's Response:

The Regional Office of Education #51 will implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and 74 Ill. Adm. Code 420.320 (c) (2). Annual financial statements will be prepared on an accrual basis of accounting in accordance with GAAP. They will be presented to the independent auditors with as little delay as possible. This will be accomplished by hiring an outside accounting firm to prepare the FY 17 financials with assistance from the ROE fiscal staff.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Section II - Financial Statement Findings (continued)

2016-003 Restricted Funds Used for Unauthorized Purpose

Criteria/specific requirement:

The Illinois School Code (105 ILCS 5/3-12) states that all certificate license fees and a portion of renewal and duplicate fees shall be used by the Regional Superintendent to defray expenses associated with the work of the regional professional development review committees; to defray expenses connected with improving technology necessary for the efficient processing of licenses; to defray all costs associated with the administration of teaching licenses; and to defray expenses incidental to teachers' institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers or for the purpose of defraying the expense of any general or special meeting of teachers or school personnel of the region, which has been approved by the Regional Superintendent.

Condition:

The Regional Office of Education #51 improperly used accumulated certificate license fees and renewal and duplicate fees by making interfund loans totaling \$122,181 from the Institute Fund (restricted fund) to cover cash deficits in other funds.

Effect:

The Regional Office was not in compliance with the Illinois School Code (105 ILCS 5/3-12).

Cause:

According to the Regional Office of Education #51's management, the condition noted above was a result of a lack of monitoring of cash balances to ensure enough cash was available in unrestricted funds to cover cash deficits in the Regional Office's restricted funds.

Recommendation:

The Regional Office should ensure that funds generated from license, renewal, and duplicate fees are only used for the limited purposes described in the Illinois School Code (105 ILCS 5/3-12).

Management's Response:

The Regional Office of Education will monitor the cash balances in order to prevent any future interfund loans from restricted funds. During FY16 budget impasse, the State of Illinois failed to fund programs operating through Regional Office of Educations statewide.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Section II - Financial Statement Findings (continued)

2016-004 Financial Records (Repeat from Finding 15-002)

Criteria/specific requirement:

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

Condition:

The Regional Office initially presented the auditors with a general ledger trial balance that was out of balance by \$33,989. Further, the Regional Office maintained 59 active funds in their general ledger system, of which 40 were out of balance.

Effect:

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

Cause:

According to Regional Office management, the issues with the accounting system appeared to begin when the Regional Office moved to a new accounting software package in a prior year, and these issues were never adequately addressed and were exacerbated by continuing to post out of balance transactions.

Recommendation:

The Regional Office should establish procedures to monitor the general ledger to timely detect issues, and any issues detected should be corrected as soon as possible. The Regional Office should also develop procedures to ensure financial records are accurate.

Management's Response:

The Regional Office of Education #51 accepts the auditor's recommendations and will implement policies and procedures to ensure that proper monitoring of the general ledger will be timely in order to detect issues. The corrective actions will be handled in a timely manner to ensure the general ledger is correct. The system will be corrected and monitored going forth.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Section II - Financial Statement Findings (continued)

2016-005 Reconciliation of Bank Statements

Criteria/specific requirement:

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over accounting transactions to prevent errors and fraud. As a basic cash management procedure, the Regional Office should be preparing accurate bank reconciliations for each of its cash accounts on a monthly basis.

Condition:

During our testing of the Regional Office's June 30, 2016 bank reconciliations, we noted the following:

- One of the Regional Office's bank accounts with a balance of \$17,460 at June 30, 2016, was not included on the bank reconciliation.
- The June 30, 2016 bank reconciliation contained reconciling items totaling \$15,097 which were determined to be disbursements actually made that were not recorded in the accounting system when the transaction occurred in fiscal year 2015. This reconciliation also included a reconciling item for \$17,979, that was determined to be a disbursement that was voided in fiscal year 2014 but not voided in the accounting system.

Effect:

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

Cause:

According to Regional Office management, the bank reconciliation errors occurred due to inadequate supervisory review.

Recommendation:

We recommend the Regional Office only include actual outstanding checks and deposits on their bank reconciliation and immediately correct any errors or omissions noted. The Regional Office's bank reconciliation should encompass all of the Regional Office's bank accounts. The bank reconciliations should be reviewed for accuracy by a member of management who has adequate knowledge to oversee the process.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Section II - Financial Statement Findings (continued)

2016-005 Reconciliation of Bank Statements (continued)

Management's Response:

The Regional Office of Education #51 will implement a system for bank reconciliations to ensure they are verified and matched to the accounting system by upper management with adequate knowledge moving forward.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Section II - Financial Statement Findings (continued)

2016-006 Inadequate Internal Controls over Compliance Requirements (Repeated from Finding 15-004, 14-003)

Federal Program Name: Title I Grants to Local Educational Agencies
Project Number: 16-4331-SS
CFDA number: 84.010A
Passed Through: Illinois State Board of Education
Federal Agency: U.S. Department of Education

Criteria/specific requirement:

As a recipient of U.S. Department of Education grant funds passed through by the Illinois State Board of Education, the Regional Office must incorporate certain procedures into its operations to ensure compliance with the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as well as requirements contained in the grant agreements.

Condition:

The following instances of noncompliance were noted during testing:

- A. The budget for the Regional Office's Title I Grants to Local Educational Agencies program allowed the Regional Office to earn an administrative fee based on either 5% or 2.5% of actual expenditures of certain budgeted costs. Based on our testing, the Regional Office charged \$54,135 of administrative fees during fiscal year 2016 which was \$20,948 higher than what was allowable based on actual budgeted expenditures.
- B. The Regional Office did not have a policy in place to require employees who have only a portion of their payroll costs allocated to the Title I Grants to Local Educational Agencies program complete time and effort documentation to support the distribution. We noted 2 such employees with total salary, benefit, and pension costs charged to the program in the amount of \$4,049. In addition, we also noted another employee with \$334 of unallowable pension costs charged to the program due to the employee not being eligible to participate in the pension at the time of the contributions. The Uniform Guidance (2 CFR 200.430) requires nonfederal entities to maintain support for the distribution of payroll costs among multiple activities.
- C. The Regional Office did not perform risk assessments of subrecipients, and did not obtain the audit reports of subrecipients and issue management decisions on relevant findings reported therein as required by the Uniform Guidance (2 CFR 200.331).
- D. The Regional Office did not obtain certifications from subrecipients required by the Uniform Guidance (2 CFR 200.415(a)).
- E. The support for one of 10 (10%) expenditure reports filed with the Illinois State Board of Education could not be located by the Regional Office for compliance testing. The Uniform Guidance (2 CFR 200.333) generally requires all records to be retained for three years after the completion of the grant.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Section II - Financial Statement Findings (continued)

2016-006 Inadequate Internal Controls over Compliance Requirements (Repeated from Finding 15-004, 14-003) (continued)

Questioned Costs:

\$25,331

Context:

- A. The overcharged administrative fees of \$20,948 represent 2.0% of total expenditures of \$1,047,479 on the Title I Grants to Local Educational Agencies program.
- B. The amount of salary, benefit, and pension costs charged to the program without proper documentation represented 1.1% of the total of \$415,155 of salary, benefit, and pension costs charged to the program.
- C. The Regional Office passed through \$325,886 of program funds to subrecipients which consisted of other Regional Offices of Education.
- D. The Regional Office passed through \$325,886 of program funds to subrecipients which consisted of other Regional Offices of Education.
- E. The expenditure report support which could not be located reported an additional \$500 of expense (0.05% of total program expenditures) on the program due to a late invoice received and was filed as a correction to the original closeout expenditure report.

Effect:

The Regional Office was not in compliance with some requirements of this federal program.

Cause:

According to Regional Office management, they were unaware of the specific documentation requirements for personnel costs and subrecipient monitoring, and were unaware of the excessive administrative fees. Further, the supporting documentation for the expense report which could not be located was inadvertently misplaced in preparation of the fiscal year 2016 audit.

Recommendation:

We recommend the Regional Office implement procedures to properly calculate administrative fees based on actual expenditures made to date. The calculation should then be reviewed and approved by Regional Office management. The Regional Office should also implement procedures to ensure all costs associated with personnel time and effort are properly documented in accordance with the Uniform Guidance. Further, the Regional Office should perform risk assessments on and obtain certifications from subrecipients as required by the Uniform Guidance. The Regional Office should follow the record retention policies in the Uniform Guidance.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Section II - Financial Statement Findings (continued)

2016-006 Inadequate Internal Controls over Compliance Requirements (Repeated from Finding 15-004, 14-003) (continued)

Management's Response:

The Regional Office of Education #51 accepts the auditor's recommendations and will implement policies, procedures, and/or practices to address proper calculation of administrative fees, and perform risk assessments and monitoring of subrecipients. The Regional Office of Education will follow the record retention policies in the Uniform Guidance. The Regional Office will ensure that personnel time and effort are properly documented in accordance with the Uniform Guidance.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Section III - Federal Award Findings

Instances of Noncompliance

Finding 2016-006-Inadequate Internal Controls over Compliance Requirements (finding details on page 15j-15l)

Significant Deficiencies

None

Material Weaknesses

Finding 2016-006-Inadequate Internal Controls over Compliance Requirements (finding details on page 15j-15l)

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

For the Year Ended June 30, 2016

Corrective Action Plan

2016-001 Controls Over Financial Statement Preparation (Repeated from Finding 15-001, 14-001, 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-01)

Condition:

The Regional Office of Education #51 does not have sufficient internal controls over the financial reporting process. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP-based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

In addition, the Regional Office did not have adequate controls to record and report its net accrued pension liabilities, deferred outflows and inflows of resources, and pension expense in accordance with GAAP. Proposed adjusting entries were approved and accepted by the Regional Office's management. However, the adjusted pension balances were materially misstated, leading to the disclaimer of opinion on the governmental activities.

During review of the Regional Office of Education #51's financial information prepared by the Regional Office of Education #51, the following was noted:

- The Regional Office did not have adequate controls over the maintenance of complete records of cash, accounts receivable, due from other governments, interfund activity, capital assets, accounts payable, accrued salaries and benefits, unavailable revenue, and fund balance. While the Regional Office did adjust their books for most of these accounts and provided records to indicate the balances of other accounts, the adjustments made and information provided contained numerous inaccuracies and omissions.
- The Regional Office was aware that their general ledger was out of balance beginning in prior fiscal years, but did not timely or adequately address the issue. This matter was further complicated by the Regional Office continuing to post transactions with debits not equal to credits.
- The Regional Office did not make any effort to ensure their general ledger agreed to the audited financial statements for the year ended June 30, 2015, leading to numerous issues with the opening balances for the year ended June 30, 2016.
- The Regional Office's financial information required numerous, material adjusting entries in preparation of the financial statements.
- There were several balances noted on the Regional Office's books for which no known underlying transactions had taken place. In eliminating these balances from the Regional Office's books, additional revenue of \$48,400 was recognized in the General Fund. Our opinion on the General Fund is qualified with respect to this matter.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

For the Year Ended June 30, 2016

Corrective Action Plan

2016-001 Controls Over Financial Statement Preparation (Repeated from Finding 15-001, 14-001, 13-001, 12-01, 11-01, 10-01, 09-01, 08-01, and 07-01) (continued)

Plan:

As part of internal control over the preparation of financial statements, the Regional Office of Education #51 will implement comprehensive preparation procedures to ensure that the financial statements are complete and accurate. These procedures will be performed by a properly trained individual possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education #51's activities and operations.

The Regional Office will develop procedures to ensure that all necessary adjustments have been recorded in its accounting system to ensure the financial statements are presented in accordance with generally accepted accounting principles.

This will be accomplished by hiring an outside accounting firm to prepare the financial statements for FY 17 moving forward.

Anticipated Date of Completion:

April 30, 2019

Contact Person:

Honorable Jeff Vose, Regional Superintendent of Schools

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

For the Year Ended June 30, 2016

Corrective Action Plan

2016-002 Delay of Audit

Condition:

Fieldwork was originally scheduled for the week of November 28, 2016. Auditors were unable to begin fieldwork due to major issues associated with the Regional Office's general ledger not balancing and the beginning fund balances not agreeing with the ending balances from the prior year financial statements.

The original general ledger provided by the Regional Office on November 22, 2016 was out of balance by \$33,989. It was noted the Regional Office had 59 active funds set up in their general ledger, of which 40 were out of balance.

The Regional Office hired an outside accounting firm in May 2017 to assist in fixing the issues with the general ledger. A general ledger was then provided to the auditors at the end of September 2017 and audit fieldwork was scheduled for late October 2017. Fieldwork was not completed at that time due to new issues with the general ledger balances and the auditors left the field.

The Regional Office provided an updated general ledger in December 2017, but auditors noted significant differences between the sum of the cash balances as reported on the general ledger and the bank reconciliation and also noted that interfund loans did not offset each other.

The Regional Office continued to work with the outside accounting firm through February 2018 and the Regional Office provided an updated general ledger at that time. However, significant differences between the sum of the cash balances as reported on the general ledger and the bank reconciliation still existed. It was also noted that interfund loan balances still did not offset each other since some interfund loan balances were simultaneously considered receivables and payables from transactions with outside parties. These issues were subsequently corrected during audit fieldwork; however, the financial statements still required numerous, material journal entries to correct additional errors and omissions noted.

As a result of these issues, fieldwork for the audit was delayed from November 2016 until May 2018 and extended through October 2018.

Plan:

The Regional Office of Education has hired an accounting firm to help with the preparation of the FY17 financial statements, and they will be in a timely manner and given to the auditors in complete and reconciled form with the general ledger. The Regional Office of Education now employs a Finance Manager with a four year accounting degree who will work hand in hand with the outside accounting firm making sure the information presented to the auditors is correct.

Anticipated Date of Completion:

April 30, 2019

Contact Person:

Honorable Jeff Vose, Regional Superintendent of Schools

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

For the Year Ended June 30, 2016

Corrective Action Plan

2016-003 Restricted Funds Used for Unauthorized Purpose

Condition:

The Regional Office of Education #51 improperly used accumulated certificate license fees and renewal and duplicate fees by making interfund loans totaling \$122,181 from the Institute Fund (restricted fund) to cover cash deficits in other funds.

Plan:

The Regional Office of Education has begun monitoring of the cash balances recorded in restricted fund balances as interfund loans are made in order to not utilize any of the cash balances in restricted funds for cash deficits in other funds.

Anticipated Date of Completion:

Immediately upon learning of the oversight

Contact Person:

Honorable Jeff Vose, Regional Superintendent of Schools

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

For the Year Ended June 30, 2016

Corrective Action Plan

2016-004 Financial Records (Repeat from Finding 15-002)

Condition:

The Regional Office initially presented the auditors with a general ledger trial balance that was out of balance by \$33,989. Further, the Regional Office maintained 59 active funds in their general ledger system, of which 40 were out of balance.

Plan:

The Regional Office of Education #51 will develop internal control procedures to ensure financial records are accurate after conducting accounting software maintenance and prior to performing year end closing procedures. The software will be closely monitored and maintained to reflect accurate accounting in all funds by an individual with an accounting degree. Checks and balances will be put into place to ensure information is being monitored on a monthly basis moving forward.

Anticipated Date of Completion:

Immediately upon learning of the oversight

Contact Person:

Honorable Jeff Vose, Regional Superintendent of Schools

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

For the Year Ended June 30, 2016

Corrective Action Plan

2016-005 Reconciliation of Bank Statements

Condition:

During our testing of the Regional Office's June 30, 2016 bank reconciliations, we noted the following:

- One of the Regional Office's bank accounts with a balance of \$17,460 at June 30, 2016, was not included on the bank reconciliation.
- The June 30, 2016 bank reconciliation contained reconciling items totaling \$15,097 which were determined to be disbursements actually made that were not recorded in the accounting system when the transaction occurred in fiscal year 2015. This reconciliation also included a reconciling item for \$17,979, that was determined to be a disbursement that was voided in fiscal year 2014 but not voided in the accounting system.

Plan:

The Regional Office of Education implemented internal controls to monitor all bank reconciliations monthly and timely correction to the accounting system. Additionally, the Regional Office of Education has hired an individual with an accounting degree and extensive experience with the Regional Office of Education's accounting software to assist with this monitoring.

Anticipated Date of Completion:

Immediately upon learning of the oversight

Contact Person:

Honorable Jeff Vose, Regional Superintendent of Schools

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

For the Year Ended June 30, 2016

Corrective Action Plan

2016-006 Inadequate Internal Controls over Compliance Requirements (Repeated from Finding 15-004, 14-003)

Condition:

The following instances of noncompliance were noted during testing:

- A. The budget for the Regional Office's Title I Grants to Local Educational Agencies program allowed the Regional Office to earn an administrative fee based on either 5% or 2.5% of actual expenditures of certain budgeted costs. Based on our testing, the Regional Office charged \$54,135 of administrative fees during fiscal year 2016 which was \$20,948 higher than what was allowable based on actual budgeted expenditures.
- B. The Regional Office did not have a policy in place to require employees who have only a portion of their payroll costs allocated to the Title I Grants to Local Educational Agencies program complete time and effort documentation to support the distribution. We noted 2 such employees with total salary, benefit, and pension costs charged to the program in the amount of \$4,049. In addition, we also noted another employee with \$334 of unallowable pension costs charged to the program due to the employee not being eligible to participate in the pension at the time of the contributions. The Uniform Guidance (2 CFR 200.430) requires nonfederal entities to maintain support for the distribution of payroll costs among multiple activities.
- C. The Regional Office did not perform risk assessments of subrecipients, and did not obtain the audit reports of subrecipients and issue management decisions on relevant findings reported therein as required by the Uniform Guidance (2 CFR 200.331).
- D. The Regional Office did not obtain certifications from subrecipients required by the Uniform Guidance (2 CFR 200.415(a)).
- E. The support for one of 10 (10%) expenditure reports filed with the Illinois State Board of Education could not be located by the Regional Office for compliance testing. The Uniform Guidance (2 CFR 200.333) generally requires all records to be retained for three years after the completion of the grant.

Plan:

The Regional Office of Education will ensure that administrative fees are calculated correctly.

The Regional Office will perform risk assessments of subrecipients and obtain audit reports. The Regional Office will obtain certifications from subrecipients as required by the Uniform Guidance (2 CFR 200.415 (a)).

The Regional Office will implement procedures to ensure that time and effort documentation is maintained for those employees who are being paid from multiple payroll sources.

The Regional Office will maintain all records for three years after the completion of the grant.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

For the Year Ended June 30, 2016

Corrective Action Plan (Continued)

2016-006 Inadequate Internal Controls over Compliance Requirements (Repeated from Finding 15-004, 14-003) (Continued)

Anticipated Date of Completion:

Immediately upon learning of the oversight

Contact Person:

Honorable Jeff Vose, Regional Superintendent of Schools

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS NOT REPEATED

For the Year Ended June 30, 2016

2015-003	Inadequate Internal Control Procedures	Corrected
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During the current audit, audit testing results indicated the Regional Office closed out the Common Core Statewide Initiatives program which was the subject of the 2015 finding.

BASIC FINANCIAL STATEMENTS

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

STATEMENT OF NET POSITION

June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 226,910	\$ -	\$ 226,910
Investments	323,070	-	323,070
Accounts receivable	173,799	70	173,869
Due (to) from other funds	(73,425)	73,425	-
Due from other governments	978,549	5,604	984,153
Total Current Assets	<u>1,628,903</u>	<u>79,099</u>	<u>1,708,002</u>
Noncurrent Assets:			
Capital assets, net of depreciation	13,772	-	13,772
Total Noncurrent Assets	<u>13,772</u>	<u>-</u>	<u>13,772</u>
Total Assets	<u>1,642,675</u>	<u>79,099</u>	<u>1,721,774</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	<u>4,326,248</u>	<u>-</u>	<u>4,326,248</u>
Liabilities			
Current Liabilities:			
Accounts payable	23,592	3,365	26,957
Accrued payroll liabilities	67,876	-	67,876
Due to other governments	183,897	-	183,897
Unearned revenue	7,642	-	7,642
Total Current Liabilities	<u>283,007</u>	<u>3,365</u>	<u>286,372</u>
Noncurrent Liabilities:			
Liability for compensated absences	2,328	-	2,328
Net pension liability	5,599,494	-	5,599,494
Total Noncurrent Liabilities	<u>5,601,822</u>	<u>-</u>	<u>5,601,822</u>
Total Liabilities	<u>5,884,829</u>	<u>3,365</u>	<u>5,888,194</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	<u>288,891</u>	<u>-</u>	<u>288,891</u>
Net Position			
Invested in capital assets	13,772	-	13,772
Restricted - other	335,717	-	335,717
Unrestricted	(554,286)	75,734	(478,552)
Total Net Position	<u>\$ (204,797)</u>	<u>\$ 75,734</u>	<u>\$ (129,063)</u>

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instructional Services:						
Salaries and benefits	\$ 2,841,445	\$ -	\$ 2,213,096	\$ -	\$ (628,349)	\$ (628,349)
Purchased services	933,308	-	724,021	-	(209,287)	(209,287)
Supplies and materials	31,213	-	24,214	-	(6,999)	(6,999)
Other objects	12,179	-	9,448	-	(2,731)	(2,731)
Payments to other governments	325,886	-	252,809	-	(73,077)	(73,077)
Depreciation	6,008	-	-	-	(6,008)	(6,008)
Pension expense	1,339,780	-	346,627	-	(993,153)	(993,153)
Administrative:						
On-behalf payments - local	301,501	-	-	-	(301,501)	(301,501)
On-behalf payments - state	1,071,155	-	-	-	(1,071,155)	(1,071,155)
Total governmental activities	<u>6,862,475</u>	<u>-</u>	<u>3,570,215</u>	<u>-</u>	<u>(3,292,260)</u>	<u>(3,292,260)</u>
Business-Type Activities:						
Service fees	74,620	77,346	-	-	2,726	2,726
Total business-type activities	<u>74,620</u>	<u>77,346</u>	<u>-</u>	<u>-</u>	<u>2,726</u>	<u>2,726</u>
Total primary government	<u>\$ 6,937,095</u>	<u>\$ 77,346</u>	<u>\$ 3,570,215</u>	<u>\$ -</u>	<u>(3,292,260)</u>	<u>(3,289,534)</u>
General Revenues:						
Local sources				873,210	-	873,210
State sources				423,004	-	423,004
On-behalf payments - local				301,501	-	301,501
On-behalf payments - state				1,071,155	-	1,071,155
Investment earnings				15,387	-	15,387
Net increase in the fair value of investments				2,124	-	2,124
Total general revenues and transfers				<u>2,686,381</u>	<u>-</u>	<u>2,686,381</u>
Change in net position				(605,879)	2,726	(603,153)
Net position - beginning, restated - note 14				401,082	73,008	474,090
Net position - ending				<u>\$ (204,797)</u>	<u>\$ 75,734</u>	<u>\$ (129,063)</u>

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Education Fund	Institute	Cook County General Education Development	Nonmajor Special Revenue Funds	Eliminations	Total Governmental Funds
Assets:							
Cash and cash equivalents	\$ -	\$ 27,657	\$ 182,201	\$ -	\$ 17,052	\$ -	\$ 226,910
Investments	323,070	-	-	-	-	-	323,070
Accounts receivable	17,583	152,990	399	-	2,827	-	173,799
Due from other funds	664,547	-	122,181	-	-	(786,728)	-
Due from other governments	65,084	492,665	9,184	409,200	2,416	-	978,549
Total assets	<u>\$ 1,070,284</u>	<u>\$ 673,312</u>	<u>\$ 313,965</u>	<u>\$ 409,200</u>	<u>\$ 22,295</u>	<u>\$ (786,728)</u>	<u>\$ 1,702,328</u>
Liabilities:							
Accounts payable	\$ 9,234	\$ 5,908	\$ 4,759	\$ 3,627	\$ 64	\$ -	\$ 23,592
Accrued payroll and employee benefits	31,642	36,234	-	-	-	-	67,876
Due to other funds	19,229	488,004	-	337,029	15,891	(786,728)	73,425
Due to other governments	-	115,353	-	68,544	-	-	183,897
Unearned revenue	-	7,642	-	-	-	-	7,642
Total liabilities	<u>60,105</u>	<u>653,141</u>	<u>4,759</u>	<u>409,200</u>	<u>15,955</u>	<u>(786,728)</u>	<u>356,432</u>
Deferred inflows of resources							
Unavailable revenue	16,215	6,949	-	136,056	-	-	159,220
Fund balance (deficit):							
Restricted	-	20,171	309,206	-	19,704	-	349,081
Assigned	348,171	-	-	-	-	-	348,171
Unassigned	645,793	(6,949)	-	(136,056)	(13,364)	-	489,424
Total fund balance (deficit)	<u>993,964</u>	<u>13,222</u>	<u>309,206</u>	<u>(136,056)</u>	<u>6,340</u>	<u>-</u>	<u>1,186,676</u>
Total liabilities, deferred inflows of resources, and fund balance (deficit)	<u>\$ 1,070,284</u>	<u>\$ 673,312</u>	<u>\$ 313,965</u>	<u>\$ 409,200</u>	<u>\$ 22,295</u>	<u>\$ (786,728)</u>	<u>\$ 1,702,328</u>

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

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

June 30, 2016

Total fund balances - governmental funds		\$ 1,186,676
<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 fiscal year ends; they are not considered "available" revenues and are deferred inflows in the governmental funds.</p>		159,220
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		13,772
<p>Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the governmental funds as follows:</p>		
IMRF deferred outflows of resources	\$ 485,471	
IMRF deferred inflows of resources	(96,371)	
TRS deferred outflows of resources	3,840,777	
TRS deferred inflows of resources	<u>(192,520)</u>	4,037,357
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Liability for compensated absences	\$ (2,328)	
IMRF net pension liability	(268,419)	
TRS net pension liability	<u>(5,331,075)</u>	<u>(5,601,822)</u>
Net position of governmental activities		<u>\$ (204,797)</u>

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

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

For the Year Ended June 30, 2016

	General Fund	Education Fund	Institute	Cook County General Education Development	Nonmajor Special Revenue Funds	Eliminations	Total Governmental Funds
Revenues:							
Local sources	\$ 754,115	\$ -	\$ 80,188	\$ -	\$ 22,692	\$ -	\$ 856,995
State sources	423,004	2,107,213	-	204,600	1,697	-	2,736,514
Federal sources	-	1,113,700	-	-	-	-	1,113,700
On-behalf payments - local	301,501	-	-	-	-	-	301,501
On-behalf payments - state	289,002	-	-	-	-	-	289,002
Interest income	14,636	194	557	-	-	-	15,387
Increase in fair value of investments	2,124	-	-	-	-	-	2,124
Total revenues	1,784,382	3,221,107	80,745	204,600	24,389	-	5,315,223
Expenditures:							
Instructional services							
Salaries and benefits	676,436	1,928,720	35,328	200,847	11,486	-	2,852,817
Purchased services	258,928	525,650	28,661	117,545	2,524	-	933,308
Supplies and materials	15,248	12,518	880	2,474	93	-	31,213
Other objects	10,678	-	-	1,501	-	-	12,179
Payments to other governments	-	325,886	-	-	-	-	325,886
On-behalf payments - local	301,501	-	-	-	-	-	301,501
On-behalf payments - state	289,002	-	-	-	-	-	289,002
Pension expense	5,355	420,081	1,312	20,075	-	-	446,823
Total expenditures	1,557,148	3,212,855	66,181	342,442	14,103	-	5,192,729
Excess (deficiency) of revenues over (under) expenditures	227,234	8,252	14,564	(137,842)	10,286	-	122,494
Other financing sources (uses):							
Transfers in	130,301	5,798	-	-	-	(136,099)	-
Transfers out	-	(132,666)	-	(3,433)	-	136,099	-
Total other financing sources (uses)	130,301	(126,868)	-	(3,433)	-	-	-
Net change in fund balances	357,535	(118,616)	14,564	(141,275)	10,286	-	122,494
Fund balances (deficit) - beginning, restated - note 14	636,429	131,838	294,642	5,219	(3,946)	-	1,064,182
Fund balances (deficit) - ending	\$ 993,964	\$ 13,222	\$ 309,206	\$ (136,056)	\$ 6,340	\$ -	\$ 1,186,676

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

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

For the Year Ended June 30, 2016

Net change in fund balances		\$ 122,494
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Some revenues will not be collected for several months after the Regional Office fiscal year ends; they are not considered "available" revenues and are deferred inflows in the governmental funds.</p>		
Current year unavailable revenue		
Local Sources	\$ 16,215	
State Sources	<u>143,005</u>	159,220
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Depreciation		(6,008)
<p>Certain expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Decrease in liability for compensated absences	\$ 11,372	
Net pension expense	<u>(892,957)</u>	<u>(881,585)</u>
Change in net position of governmental activities		<u><u>\$ (605,879)</u></u>

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2016

	Business-type Activities Enterprise Funds	
	Nonmajor Enterprise Funds	Total
Assets		
Currents assets		
Accounts receivable	\$ 70	\$ 70
Due from other funds	73,425	73,425
Due from other governments	5,604	5,604
Total current assets	79,099	79,099
Noncurrent assets		
Capital assets, net of depreciation	-	-
Total assets	79,099	79,099
Liabilities		
Current liabilities		
Accounts payable	3,365	3,365
Total liabilities	3,365	3,365
Net position		
Unrestricted	75,734	75,734
Total net position	\$ 75,734	\$ 75,734

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

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

For the Year Ended June 30, 2016

	Business-type Activities Proprietary Funds	
	Nonmajor Enterprise Funds	Total
Operating revenues		
Charges for services	\$ 77,346	\$ 77,346
Total operating revenues	77,346	77,346
Operating expenses		
Salaries and benefits	14,942	14,942
Purchased services	57,845	57,845
Supplies and materials	301	301
Other objects	485	485
Pension expense	1,047	1,047
Total operating expenses	74,620	74,620
Change in net position	2,726	2,726
Net position - beginning	73,008	73,008
Net position - ending	\$ 75,734	\$ 75,734

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2016

	Business-type Activities Proprietary Funds	
	Nonmajor Enterprise Funds	Total
Cash flows from operating activities		
Receipts from customers	\$ 84,993	\$ 84,993
Payments to suppliers and providers of goods and services	(60,066)	(60,066)
Payments to employees	(15,989)	(15,989)
Net cash provided by (used for) operating activities	8,938	8,938
Cash flows from noncapital financing activities		
Increase in interfund borrowing, net	(8,938)	(8,938)
Net cash provided by (used for) noncapital financing activities	(8,938)	(8,938)
Net increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents - beginning	-	-
Cash and cash equivalents - ending	\$ -	\$ -
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating Income	\$ 2,726	\$ 2,726
Adjustments to reconcile operating income to net cash (used for) provided by operating activities:		
(Increase) in accounts receivable	(70)	(70)
Decrease in due from other governments	7,717	7,717
Decrease in accounts payable	(1,435)	(1,435)
Net cash provided by (used for) operating activities	\$ 8,938	\$ 8,938

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51
STATEMENT OF FIDUCIARY NET POSITION

June 30, 2016

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$131,169</u>
Total Assets	<u><u>\$131,169</u></u>
Liabilities	
Due to other governments	<u>\$131,169</u>
Total Liabilities	<u><u>\$131,169</u></u>

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sangamon-Menard Counties Regional Office of Education #51 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

This summary of significant accounting policies of the Regional Office of Education #51 is presented to assist in understanding the Regional Office of Education #51's financial statements. The financial statements and notes are representations of the Regional Office of Education #51's management who is responsible for the integrity and objectivity of the financial statements. The Illinois Administrative Code, Title 23 - Subtitle A, Chapter 1, Section 110.115a, requires each Regional Office of Education to prepare annual financial statements in conformity with accounting principles generally accepted in the United States of America. These principles have been consistently applied in the preparation of the financial statements.

FINANCIAL REPORTING ENTITY

The Regional Office of Education #51 operates under the School Code (Articles 5/3 and 5/3A of Illinois Compiled Statutes, Chapter 105). The Regional Office of Education #51 encompasses Sangamon and Menard Counties. The Regional Superintendent of Schools (Regional Superintendent) serves as chief administrative officer of the Regional Office of Education #51 and is elected pursuant to Article 3, Illinois Compiled Statutes, Chapter 105.

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

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #51's districts; providing township treasurers with a list of district treasurers; inspecting and approving building plans which comply with State law; performing and reporting on annual building inspections; investigating bus drivers for valid bus driver permits and taking related action as may be required; maintaining a list of unfilled teaching positions and carrying out other related duties required or permitted by law.

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

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the period ended June 30, 2016, the Regional Office of Education #51 applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in Regional Office of Education #51. Such activities are reported as a single special revenue fund (Education Fund).

SCOPE OF THE REPORTING ENTITY

The Regional Office of Education #51 reporting entity includes all related organizations for which they exercise oversight responsibility.

The Regional Office of Education #51 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the Regional Office of Education #51, including districts or joint agreements which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the Regional Office of Education #51 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The districts and joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the Regional Office of Education #51 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education #51 is not aware of any entity, which would exercise such oversight as to result in the Regional Office of Education #51 being considered a component unit of the entity.

NEW ACCOUNTING PRONOUNCEMENTS

In 2016, the Regional Office of Education #51 implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*; and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The Regional Office of Education #51 implemented these standards during the current year. The implementation of GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements by enhancing fair value related disclosures. The implementation of GASB Statement No. 73 improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 76, reduced the GAAP hierarchy to two categories of authoritative GAAP and addressed the uses of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Regional Office of Education #51's activities with most of the interfund activities removed. Governmental activities include programs supported primarily by State and federal grants and other intergovernmental revenues. The Regional Office of Education #51 has two business-type activities that rely on fees and charges for support.

The Regional Office of Education #51's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present a summary of governmental and business-type activities for the Regional Office of Education #51 accompanied by a total column. These statements are presented on an "economic resources" measurement focus as prescribed by GASB Statement No. 34. All of the Regional Office of Education #51's assets (including capital assets), deferred outflows of resources, liabilities, and deferred inflows of resources are included in the accompanying Statement of Net Position. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services, and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function.

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

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

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

PROPRIETARY FUND FINANCIAL STATEMENTS

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPRIETARY FUND FINANCIAL STATEMENTS (Continued)

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

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

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

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Regional Office of Education #51; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Under the terms of grant agreements, Regional Office of Education #51 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding resources available to finance the program. It is the Regional Office of Education #51's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues. It is the Regional Office of Education #51's policy to first apply restricted funds, then unrestricted. For unrestricted fund balances, committed funds are used first, then assigned funds, then unassigned if any.

FUND ACCOUNTING

The Regional Office of Education #51 uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Regional Office of Education #51 uses governmental, proprietary, and fiduciary funds.

GOVERNMENTAL FUNDS

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

As prescribed by GASB Statement No. 34, governmental fund reporting focuses on the major funds, rather than on the fund type. There is a two-step process for determining if a fund should be reported as a major fund: 1) total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for the fund type, and 2) total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and proprietary funds combined. Funds that do not meet the major fund determination requirements are reported in aggregate as nonmajor funds. The Regional Office of Education #51 has presented all major funds that met the above qualifications.

The Regional Office of Education #51 reports the following major governmental funds:

General Fund – The General Fund is the operating fund of the Regional Office of Education #51. It is used to account for all financial resources in the Region except those required to be accounted and reported for in other funds. General Funds include the following:

Local – These funds are generated through interest and fees earned for providing various administrative functions for entities including the Illinois State Board of Education (ISBE), the Technology Conference and Illinois Special Education Administrators and are used to assist in providing for the needs of the Staff Development Center (SDC) not funded through State or county dollars.

Administrative Discretionary – These funds are generated through interest and fees earned for providing various administrative functions for entities including the Illinois State Board of Education, the Technology Conference and Illinois Special Education Administrators and are used to assist in providing for the needs of the Regional Office not funded through State or county dollars.

Continuum of Learning – The Regional Office of Education has contracted with Springfield Community Federation in an effort to ascertain how many children are entering the public school system. This information will then be used to help individuals determine donation arrangements.

General State Aid – Truants Alternative Optional Education Program – This fund accounts for General State Aid used for the general operations of the Truants Alternative Optional Education Program.

General State Aid – Regional Safe Schools – This fund accounts for General State Aid used for the general operations of the Regional Safe Schools program.

WestEd – This fund accounts for activity per an educational services agreement between the Regional Office of Education #51 and WestEd. Within this agreement, the Regional Office of Education #51 provides support to teachers and local coaches in the implementation of KIDStech.

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

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

Regional Safe Schools – This program provides activities for disruptive students who are eligible for suspension or expulsion. The activities provide individually designed curriculum, social skills training, career exploration and work experience opportunities, and opportunities to work toward re-entry into the traditional programs, if appropriate.

Area III – Homeless Liaison Project – This grant provides funds for providing information to schools, community members, and government entities about the educational rights of homeless students.

Sangamon County Truants Alternative Optional Education Program (TAOEP) – This program is devoted to ensuring that each referred at-risk student will be provided with individualized educational and supplemental services that meet the holistic needs of the student in the pursuit of their educational development. TAOEP offerings include: identification of at-risk students and dropouts, truancy intervention services, academic intervention and remediation, parental skills development, and network with community agencies and businesses.

State and Federal School Breakfast and Lunch – This program is designed to provide breakfast and lunch free or at reduced prices to eligible students, as determined in accordance with federal and State guidelines, as a healthy start to the school day to enhance the student’s learning abilities. All meals provided must meet U.S. Department of Agriculture requirements for servings and nutrition.

ISBE Special Initiatives Program – This program contracts with ISBE to provide consultant support for the communication of activities regarding the implementation of common core based assessment; and, the collaboration with interested stakeholders in developing year end items, test forms, and associated test construction materials.

Race to the Top – This program provides staff support to help achieve the goal of supporting lead districts that build the systems and processes needed to accelerate and sustain improved student outcomes and build capacity to extend these initiatives Statewide.

Title I – School Improvement and Accountability – This program provides professional development activities to schools that are on Illinois’s Academic Watch List. To be on the list, students have not made adequate yearly progress for at least two years. The funding sources for this grant are Title I, Title II, and State appropriated monies.

Title II – Teacher Quality – Leadership – This program accounts for grant monies received for and in payment of expenditures to provide online training that is required by the Illinois Performance Evaluation Reform Act to train education administrators to evaluate other administrators and teachers. The program is designed to increase the number of highly qualified administrators and teachers, leading to increased student academic achievement.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

Principal Preparation and Evaluation – This program is designed to assist with principal programs and the approval process of such, provide assistance and support services to Division personnel including technical support and training, and work with other ISBE personnel on educator preparation matters.

Reading Initiative – This fund provides for consultant support for initiatives necessitated by the ARRA and the No Child Left Behind Act. The consultants read and evaluate the quality of NCLB and ARRA applications for approval or create review checklist(s) for needed initial application and amendments; provide technical assistance to Illinois schools through written and verbal communication relating to NCLB and ARRA applications; enforce Title I and State accountability requirements and review federal and State fiscal and programmatic documentation to determine implications for schools and districts.

ROE/ISC Operations – These funds are provided by the ISBE through a budget application process to Regional Offices to provide staff development to district schools and teachers. The Staff Development Center offers Administrator Academy activities, School Improvement initiatives, and staff development opportunities in the areas of reading, math, science, and technology. Monies are used for overhead costs and salaries of employees at the Staff Development Center.

American Institute of Research (AIR) – This funding is received from a subcontract with AIR, to provide school improvement services via the Center for School improvement in connection with the Title I program.

Pilot Regional Safe School Cooperative Education Program - This program is used to account for grant monies received for, and payment of expenditures related to providing suspended or expelled youth at the Regional Safe School with alternative cooperative education including classroom work and experience in the private sector.

Institute Fund – The Teacher Institute Fund accounts for teacher license fees. These funds are to be used to defray expenses connected with improving the technology necessary for the efficient processing of licenses as well as any expenses incidental to teacher institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers. All funds generated remain restricted until expended only on the aforementioned activities.

Cook County General Education Development – The Regional Office acts as the fiscal agent for the General Education Development testing program for the Cook County area. The Regional Office maintains an office and support staff in the Cook County area.

The Regional Office of Education #51 reports the following nonmajor special revenue funds:

General Education Development (GED) Certificate – Illinois law requires the Regional Superintendent of Schools of each county/counties to administer the GED test. The GED tests are given at Lanphier High School once a month. Testing fees provide for testing materials and staff salaries.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

Bus Driver Training – Experienced drivers must take a two-hour refresher course annually, while all new drivers must take an eight-hour course in bus driver safety and first aid, prescribed by the ISBE and administered by the Regional Office.

PROPRIETARY FUNDS

Proprietary funds are those in which revenues and expenses related to services provided to organizations inside the Regional Office of Education #51 on a cost reimbursement basis are reported. Enterprise funds are proprietary funds that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to external entities or the general public on a continuing basis should be financed or recovered primarily through user charges.

Staff Development Center Workshop Fund – This fund is an enterprise fund established to track revenues received and expenses incurred in offering professional development workshops for teachers and administrators in Menard and Sangamon Counties.

Background Checks – The Regional Office of Education provides background checks/ fingerprinting to all schools in Menard and Sangamon Counties for new hires. The schools send requests to the Regional Office of Education, who forwards background check information to the Illinois State Police database. The fee for the background check and/or fingerprinting is paid by each school district.

FIDUCIARY FUNDS

Agency Funds – Agency Funds are used to account for assets held by the Regional Office of Education #51 in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency Funds include the following:

Illinois Education and Technology Conference – The Regional Office acts as the fiscal agent for this annual conference, which provides an opportunity to discover how educators can be an active part of the information revolution. Funding is derived from registration fees, vendor fees, and sponsorship fees.

Sangamon County Schoolmasters – The Schoolmasters is an organization of all Sangamon County superintendents and school directors. Membership fees are used to provide meetings and seminars for disseminating current information on administration issues.

Sangamon County Learning Academy – This is a self-supporting account that provides services for students at the Sangamon County Learning Academy. Funds are derived from lunch money and registration fees.

Those Who Excel – The ROE acts as the fiscal agent for the annual Teacher of the Year banquet hosted by the Illinois State Board of Education.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUNDS (Continued)

Land Transfer – A person wishing to send their children to another school district can petition the Regional Board of Trustees to detach their property from one district and annex it to another. The petitioner is required to pay for this process and this fund tracks the money they pay to the office.

GOVERNMENTAL FUND BALANCES

Fund Balance is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources in a Governmental Fund. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Regional Office of Education #51 considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Regional Office of Education #51 considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Regional Superintendent has provided otherwise in its commitment or assignment actions.

The following types of fund balances may be presented in the Governmental Funds Balance Sheet and Governmental Funds Combining Schedule of Accounts:

Nonspendable Fund Balance – the portion of a Governmental Fund’s 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 #51 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 accounts’ fund balances are restricted by grant agreements or contracts: State and Federal School Breakfast and Lunch and Principal Preparation and Evaluation. The following funds are restricted by Illinois Statute: Institute and Bus Driver Training.

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 #51 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 following General Fund accounts have assigned fund balances: General State Aid – Truants Alternative Optional Education Program and General State Aid – Regional Safe Schools.

Unassigned Fund Balance – available expendable resources in a governmental fund that are not designated for a specific purpose. The following General Fund accounts have unassigned fund balances: Local, Administrative Discretionary, and Continuum of Learning. The Reading Initiative account reported in the Education Fund account has an unassigned fund balance. The Cook County General Education Development fund and the General Education Development Certificate fund reported with the nonmajor special revenue funds have unassigned fund balances.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET POSITION

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

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

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

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

CASH AND CASH EQUIVALENTS

The Sangamon County Regional Office of Education #51's cash and cash equivalents are considered to be demand deposits and short-term investments (investments with a maturity date of three months or less). All interest income is recognized as revenue in the appropriate fund's Statement of Revenues, Expenditures, and Changes in Fund Balance.

INVENTORY

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

CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COMPENSATED ABSENCES

Noncertified and certified employees who work 12 calendar months can earn up to 20 vacation days for a full year of service. In the event that a program terminates, no vacation days will be honored past the ending date of the program. Certified employees who work less than 12 calendar months per year do not earn vacation days. Because salaries are grant funded from year to year, all vacation time must be used before the end of the fiscal year. An employee may request that a maximum of five days of unused vacation be carried over to the next fiscal year. For the year ended June 30, 2016, the liability for unused vacation days was \$2,328, which represents a decrease of \$11,372 from the balance reported at June 30, 2015, and is shown on the Statement of Net Position.

Employees receive up to 12 sick days annually, and the unused portion is accumulated up to 180 days and carried forward. Employee sick leave is recorded when paid. Upon termination, employees do not receive any accumulated sick leave pay, and therefore, no liability is accrued.

BUDGET DATA

The Regional Office of Education #51 acts as the administrative agent for certain grant programs that are accounted for in the Education Fund. Certain programs have separate budgets and are required to report to the Illinois State Board of Education, however, none of the annual budgets have been legally adopted nor are they required to be. Comparisons of budgeted and actual results are presented as supplemental information.

Budgetary comparison schedules have been provided in supplementary schedules for the following funds: Regional Safe Schools, Area III – Homeless Liaison Project, Sangamon County Truants Alternative Optional Education Program, Title I – School Improvement and Accountability, Title II – Teacher Quality – Leadership, ROE/ISC Operations, and Pilot Regional Safe School Cooperative Education Program.

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

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

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

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of components of the net pension liability that will reduce pension expense in future years.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2 CASH

The Regional Office of Education #51 does not have a formal investment policy. The Regional Office of Education #51 is allowed to invest in securities as authorized by 30 ILCS 235/2 and 6 and 105 ILCS 5/8-7.

DEPOSITS

At June 30, 2016, the carrying amount of the Regional Office of Education #51's government-wide and Agency fund deposits were \$226,910 and \$131,169, respectively, and the bank balances were \$324,631 and \$131,169, respectively. Of the total bank balances as of June 30, 2016, \$250,000 was insured by Federal Depository Insurance Corporation, \$17,461 was invested in the Illinois Funds Money Market Fund, and \$188,339 was secured by a letter of credit.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits with financial institutions is the risk that, in the event of bank failure, the Regional Office of Education #51's deposits may not be returned to it. To guard against custodial credit risk for deposits with financial institutions, the Regional Office of Education #51's investment policy requires that deposits with financial institutions in excess of FDIC limits be secured by some form of collateral, by a written agreement, and held at an independent, third-party institution in the name of the Regional Office of Education #51.

INVESTMENTS

The Regional Office of Education #51's policy is to invest solely in investments authorized by 30 ILCS 235/2 and 6 and 105 ILCS 5/8-7. As noted above, the Regional Office of Education #51 had \$17,461 invested in the Illinois Funds Money Market Fund at June 30, 2016. This amount is included in the cash and cash equivalents reported in the financial statements. The Regional Office of Education #51 also had investments with a carrying value of \$323,070 invested in money market funds, U.S. agency obligations, and municipal bonds with a local financial institution. This amount is reported as investments in the financial statements.

As of June 30, 2016, the Regional Office of Education #51 had the following investments with the following maturities. The Regional Office of Education #51 categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation methods used to measure the fair value of the asset. Level 1 inputs are quoted prices for identical assets in active markets that the Regional Office can access. Level 2 inputs are observable prices, either directly or indirectly, for an asset. Level 3 inputs are unobservable inputs for an asset.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

2 CASH (Continued)

INVESTMENTS (Continued)

During fiscal year 2016, there were no changes in valuation techniques that would have a significant impact on the results. For each of the following investments, level 2 inputs were used to determine fair value.

Investment Type	Fair Value	Year of Maturity
U.S. Agency Obligations	\$ 57,352	2038
Municipal Bond Obligations	15,976	2019
Municipal Bond Obligations	53,394	2020
Municipal Bond Obligations	20,752	2020
Municipal Bond Obligations	5,388	2023
Municipal Bond Obligations	21,093	2023
Municipal Bond Obligations	39,264	2023
Municipal Bond Obligations	27,716	2023
Municipal Bond Obligations	58,962	2025
	<u>299,897</u>	
Money Market Funds	<u>23,173</u>	
Total Investments	<u>\$ 323,070</u>	

CREDIT RISK

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

The following table presents the quality ratings of debt securities held by the Regional Office of Education #51 as of June 30, 2016.

Investment Type	Moody's Quality Rating	Fair Value
Municipal Bond Obligations	AA	\$ 242,545
U.S. Agency Obligations	Not Rated	<u>57,352</u>
Total Debt Securities		<u>\$ 299,897</u>

CONCENTRATION OF CREDIT RISK

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

2 CASH (Continued)

INTEREST RATE RISK

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

The Regional Office of Education #51 does not have a policy limiting investment maturities as a means of managing interest rate risk for its investments with a local financial institution.

3 DEFINED BENEFIT PENSION PLAN - ILLINOIS MUNICIPAL RETIREMENT FUND

IMRF PLAN DESCRIPTION

The Regional Office of Education #51'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 #51's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of an agent multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this note. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

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.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

3 DEFINED BENEFIT PENSION PLAN - ILLINOIS MUNICIPAL RETIREMENT FUND (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, 2015, the following employees were covered by the benefit terms:

	IMRF
Retirees and Beneficiaries currently receiving benefits	7
Inactive Plan Members entitled to but not yet receiving benefits	19
Active Plan Members	16
Total	42

CONTRIBUTIONS

As set by statute, the Regional Office of Education #51'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 #51's annual contribution rate for calendar year 2015 was 11.13%. For the calendar year ended December 31, 2015, the Regional Office of Education #51 contributed \$55,659 to the plan. The Regional Office of Education #51 also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

NET PENSION LIABILITY

The Regional Office of Education #51's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

ACTUARIAL ASSUMPTIONS

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

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

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

ACTUARIAL ASSUMPTIONS (Continued)

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

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

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

SINGLE DISCOUNT RATE

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

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

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

CHANGES IN THE NET PENSION LIABILITY

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (Asset) (A) - (B)
Balances at December 31, 2014	\$ 1,753,380	\$ 1,605,926	\$ 147,454
Changes for the year:			
Service Cost	52,561	-	52,561
Interest on the Total Pension Liability	131,594	-	131,594
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(308,537)	-	(308,537)
Changes of Assumptions	860	-	860
Contributions - Employer	-	55,659	(55,659)
Contributions - Employees	-	20,859	(20,859)
Net Investment Income	-	(373,570)	373,570
Benefit Payments, including Refunds of Employee Contributions	(53,160)	(53,160)	-
Other (Net Transfer)	-	52,565	(52,565)
Net Changes	(176,682)	(297,647)	120,965
Balances at December 31, 2015	\$ 1,576,698	\$ 1,308,279	\$ 268,419

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

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

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

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

	1% Lower (6.50%)	Current Discount (7.50%)	1% Higher (8.50%)
Net Pension Liability	\$ 501,723	\$ 268,419	\$ 41,342

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

For the year ended June 30, 2016, the Regional Office of Education #51 recognized pension income of \$77,539. At June 30, 2016, the Regional Office of Education #51 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actuarial experience	\$ 24,466	\$ 96,371
Changes of assumptions	26,813	-
Net difference between projected and actual earnings on pension plan investments	409,540	-
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	460,819	96,371
<i>Pension contributions made subsequent to the measurement date</i>		
	24,652	-
Total Deferred Amounts Related to Pensions	\$ 485,471	\$ 96,371

\$24,652 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ending June 30, 2017.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

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

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

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

Year Ending December 31	Net Deferred Outflows of Resources
2016	\$ 37,995
2017	118,616
2018	114,074
2019	93,763
Thereafter	-
Total	<u>\$ 364,448</u>

4 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

The Regional Office of Education #51 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

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

BENEFITS PROVIDED

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

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

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

BENEFITS PROVIDED (Continued)

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

CONTRIBUTIONS

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

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2016 was 9.4 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the Regional Office of Education #51.

ON BEHALF CONTRIBUTIONS TO TRS

The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #51. For the year ended June 30, 2016, the State of Illinois contributions recognized by the Regional Office of Education #51 were based on the State's proportionate share of collective net pension liability associated with the Regional Office of Education #51, and the Regional Office of Education #51 recognized revenue and expenditures of \$782,153 in pension contributions from the State of Illinois.

2.2 FORMULA CONTRIBUTIONS

Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ending June 30, 2016 were \$9,225 and are deferred because they were paid after the June 30, 2015 measurement date.

FEDERAL AND SPECIAL TRUST FUND CONTRIBUTIONS

When TRS members are paid from federal and special trust funds administered by the Regional Office of Education #51, there is a statutory requirement for the Regional Office of Education #51 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

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

FEDERAL AND SPECIAL TRUST FUND CONTRIBUTIONS (Continued)

For the year ended June 30, 2016, the employer pension contribution was 36.06 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2016, salaries totaling \$1,072,987 were paid from federal and special trust funds that required employer contributions of \$388,882. These contributions are deferred because they were paid after the June 30, 2015 measurement date.

EMPLOYER RETIREMENT COST CONTRIBUTIONS

Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The Regional Office of Education #51 is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the current program is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2016, the Regional Office of Education #51 paid no employer contributions under the ERO program.

The Regional Office of Education #51 is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2016, the Regional Office of Education #51 made no payments to TRS for employer contributions due on salary increases in excess of 6 percent and no payments for sick leave days granted in excess of the normal allotment.

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

At June 30, 2016, the Regional Office of Education #51 reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for State pension support provided to the employer. The State's support and total are for disclosure purposes only. The amount recognized by the employer as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the employer were as follows:

Employers proportionate share of the net pension liability	\$ 5,331,075
State's proportionate share of the net pension liability associated with the employer	9,546,787
	<u>\$ 14,877,862</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, and rolled forward to June 30, 2015. The Regional Office of Education #51's proportion of the net pension liability was based on the employer's share of contributions to TRS for the measurement year ended June 30, 2015, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2015, the Regional Office of Education #51's proportion was 0.0081377947 percent, which was an increase of 0.0015205489 percent from its proportionate measured as of June 30, 2014.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

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

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

For the year ended June 30, 2016, the Regional Office of Education #51 recognized pension expense of \$782,153 and revenue of \$782,153 for support provided by the State. For the year ended June 30, 2016, the Regional Office of Education #51 recognized pension expense of \$1,422,816. At June 30, 2016, the Regional Office of Education #51 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,981	\$ 5,844
Net difference between projected and actual earnings on pension plan investments	105,578	186,676
Changes of assumptions	73,723	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	3,261,388	-
Employer contributions subsequent to the measurement date	398,107	-
	\$ 3,840,777	\$ 192,520

\$398,107 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized by the Regional Office of Education #51 as a reduction of their net pension liabilities in the reporting year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be included in pension expense as follows:

Year ended June 30:	
2017	\$ 976,239
2018	976,239
2019	976,239
2020	321,433
	\$ 3,250,150

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

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

ACTUARIAL ASSUMPTIONS

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

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

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

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

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

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

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

DISCOUNT RATE

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

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

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

SENSITIVITY OF THE REGIONAL OFFICE OF EDUCATION #51'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the Regional Office of Education #51's proportionate share of the net pension liability calculated using the discount rate of 7.47 percent, as well as what the Regional Office of Education #51's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.47 percent) or 1-percentage-point higher (8.47 percent) than the current rate.

	1% Decrease (6.47%)	Current Discount Rate (7.47%)	1% Increase (8.47%)
Employer's proportionate share of the net pension liability	\$ 6,587,902	\$ 5,331,075	\$ 4,300,443

TRS FIDUCIARY NET POSITION

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

5 TEACHERS' HEALTH INSURANCE SECURITY FUND

The Regional Office of Education #51 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the State administered participating provider option plan or choose from several managed care options. Annuitants who are enrolled in Medicare Parts A and B may be eligible to enroll in Medicare Advantage plans.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The plan is administered by 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 THIS FUND

The State of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office of Education #51. State contributions are intended to match contributions to THIS Fund from active members which were 1.07 percent of pay during the year ended June 30, 2016. State of Illinois contributions were \$16,974, and Regional Office of Education #51 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2015 and June 30, 2014, were 1.02 and 0.97 percent of pay, respectively. State contributions on behalf of the Regional Office of Education #51 employees were \$14,650 and \$11,612, respectively.

EMPLOYER CONTRIBUTIONS TO THIS FUND

The Regional Office of Education #51 also makes contributions to THIS Fund. The employer THIS Fund contribution was 0.80 percent during the year ended June 30, 2016. For the year ended June 30, 2016, the Regional Office of Education #51 paid \$12,691 to the THIS Fund, which was 100 percent of the required contribution. For the years ended June 30, 2015 and June 30, 2014, the Regional Office of Education #51 paid \$10,916 and \$8,619, respectively, which was 100 percent of the required contribution.

FURTHER INFORMATION ON THIS FUND

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

6 OTHER POST EMPLOYMENT BENEFITS - HEALTH INSURANCE

The Regional Office of Education #51 has evaluated its potential other post employment benefits liability. Based on this evaluation, the Regional Office of Education #51 determined that although health insurance is offered to retired employees, there has been zero percent utilization and the resulting liability for the estimated implicit subsidies provided calculated in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other than Pensions*, is immaterial to the financial statements taken as a whole. Therefore, the Regional Office of Education #51 has not recorded any post employment benefit liability as of June 30, 2016.

7 OPERATING LEASES

The Regional Office of Education #51 leases classroom, office, and laboratory space. During fiscal year 2016, the Regional Office had three separate leases for 6,333 square feet, 2,105 square feet, and 1,900 square feet, all leased at \$7.75 per square foot. Additionally, the Regional Office leased office space in Evanston, Illinois for \$3,984 per month for fiscal year 2016. The Regional Office also leased additional classroom space in Athens, Illinois with annual rents of \$12,000. Rent expense for the year ended June 30, 2016, was \$153,715. The Regional Office also leased office space in Springfield, Illinois, for \$1,149 per month that is cancellable upon 90 days' notice. The Regional Office also leases a copier over a 60-month term ending March 2021 which requires monthly payments of \$134, a digital imaging system over a 60 month term ending November 2018 which requires monthly payments of \$179, and a digital desktop mailing system leased over a 60-month term ending March 2020 which requires monthly payments of \$64. Total equipment lease expense for the year ended June 30, 2016, was \$3,319. Future minimum rentals are as follows for the years ending June 30:

2017	\$	4,528
2018		4,528
2019		3,275
2020		2,188
2021		1,209
		<hr/>
	\$	15,728
		<hr/> <hr/>

8 RISK MANAGEMENT

The Regional Office of Education #51 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Regional Office of Education #51 has purchased commercial insurance to cover these risks. No losses have been incurred in excess of the amounts covered by insurance over the past three years.

9 CAPITAL ASSET ACTIVITY

In accordance with GASB Statement No. 34, the Regional Office of Education #51 has reported capital assets in the government-wide Statement of Net Position. Purchases are reported as capital outlay in the governmental fund statements. Purchases of business-type activities are capitalized when purchased. The Regional Office of Education #51's assets are composed of furniture and equipment. The following table provides a summary of changes in total assets, accumulated depreciation, and investment in capital assets for the year ended June 30, 2016:

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

9 CAPITAL ASSET ACTIVITY (Continued)

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities:				
Capital Assets, Being Depreciated				
Computer equipment	\$ 98,003	\$ -	\$ -	\$ 98,003
Other equipment	42,142	-	-	42,142
Total	<u>140,145</u>	<u>-</u>	<u>-</u>	<u>140,145</u>
Less Accumulated Depreciation				
Computer equipment	(81,118)	(5,785)	-	(86,903)
Other equipment	(39,247)	(223)	-	(39,470)
Total	<u>(120,365)</u>	<u>(6,008)</u>	<u>-</u>	<u>(126,373)</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,780</u>	<u>\$ (6,008)</u>	<u>\$ -</u>	<u>\$ 13,772</u>
Business-type Activities:				
Capital Assets, Being Depreciated				
Other equipment	\$ 11,912	\$ -	\$ -	\$ 11,912
Less Accumulated Depreciation				
Other equipment	<u>(11,912)</u>	<u>-</u>	<u>-</u>	<u>(11,912)</u>
Business-type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2016 of \$6,008 was charged to the governmental activities on the government-wide Statement of Activities. Investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation and related debt.

10 INTERFUND ACTIVITY

DUE TO/FROM OTHER FUNDS

Interfund due to/from other fund balances at June 30, 2016 consist of the following individual due to/from other funds in the governmental fund balance sheet and proprietary fund statement of net position. The balances between governmental funds and proprietary funds were eliminated in the government-wide Statement of Net Position.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

10 INTERFUND ACTIVITY (Continued)

	Due To Other Funds	Due From Other Funds
General Fund	\$ 19,229	\$ 664,547
Education Fund	488,004	-
Institute	-	122,181
Cook County General Education Development	337,029	
Nonmajor Special Revenue Funds	15,891	-
Proprietary Funds	-	73,425
 Total	 \$ 860,153	 \$ 860,153

TRANSFERS

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

	Transfer In	Transfer Out
General Fund	\$ 130,301	\$ -
Education Fund	5,798	132,666
Cook County General Education Development	-	3,433
 Total	 \$ 136,099	 \$ 136,099

11 ON-BEHALF PAYMENTS

The State of Illinois paid the following salaries and benefits on-behalf of the Regional Office of Education #51:

State of Illinois	
Regional Superintendent Salary	\$ 112,008
Regional Superintendent Fringe Benefit (Includes State paid insurance)	34,615
Assistant Regional Superintendent Salary	100,812
Assistant Regional Superintendent Fringe Benefit (Includes State paid insurance)	24,593
THIS Contributions	16,974
Total	\$ 289,002

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.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

11 ON-BEHALF PAYMENTS (Continued)

The Regional Office of Education #51's also recorded \$782,153 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 #51 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	\$ 289,002
ROE#51's share of TRS pension expense	782,153
	\$ 1,071,155

Sangamon County provides the Regional Office with staff and pays certain expenditures on behalf of the Regional Office. The expenditures paid on the Regional Office of Education #51's behalf for the year ended June 30, 2016, were as follows:

Salaries and benefits	\$ 269,450
Purchased services	31,448
Supplies and materials	603
Total	\$ 301,501

12 DUE TO/FROM OTHER GOVERNMENTS

The Regional Office of Education #51's General Fund, Education Fund, Institute Fund, Cook County General Education Development Fund, Nonmajor Special Revenue Funds, and Nonmajor Proprietary Funds have funds due from/to various other governmental units which consist of the following:

Due From Other Governments:

<u>General Fund</u>	
Local Governments	\$ 61,824
Illinois State Board of Education	2,658
Illinois Court of Claims	602
<u>Education Fund</u>	
Local Governments	8,853
Illinois State Board of Education	476,864
Illinois Court of Claims	6,948
<u>Institute Fund</u>	
Local Governments	9,184
<u>Cook County General Education Development</u>	
Illinois Community College Board	409,200
<u>Nonmajor Special Revenue Funds</u>	
Local Governments	719
Illinois State Board of Education	1,697
<u>Nonmajor Proprietary Funds</u>	
School Districts	5,604
Total	\$ 984,153

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

12 DUE TO/FROM OTHER GOVERNMENTS (Continued)

Due To Other Governments:

<u>Education Fund</u>	
Local Governments	\$ 115,353
<u>Cook County General Education Development</u>	
Illinois Community College Board	68,544
<u>Agency Funds</u>	
Local Governments	131,169
Total	<u>\$ 315,066</u>

13 DEFICIT FUND BALANCE

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

The following funds/fund accounts had deficit fund balances at June 30, 2016:

<u>General Fund</u>	
Local	\$ 18,558
<u>Education Fund</u>	
Reading Initiative	6,949
<u>Cook County General Education Development</u>	136,056
<u>Nonmajor Special Revenue Funds</u>	
General Education Development Certificate	13,364

14 REGIONAL OFFICE OF EDUCATION CONSOLIDATION

On November 22, 2013, the Illinois State Board of Education adopted a motion pursuant to its obligation under 105 ILCS 5/3A-4(a), which recognized consolidations agreed to via county board resolutions prior to June 30, 2013, and directed certain other consolidations. Effective July 1, 2015, Sangamon County Regional Office of Education #51 consolidated Menard County which was formerly included in the Logan/Mason/Menard Counties Regional Office of Education #38 into its educational service region to form the Sangamon-Menard Counties Regional Office of Education #51.

The Regional Office of Education #51 reclassified the opening fund balance for the Governmental funds and Proprietary fund due to the consolidation. The opening fund balance for the Governmental funds was also restated for a prior period adjustment as disclosed below.

The Regional Office of Education #51 implemented GASB Statement No. 68 and 71 in fiscal year 2015 and, therefore, restated July 1, 2014, net pension to recognize net pension asset, net pension liability, and the related deferred outflows related to pensions. During the consolidation process, the Regional Office of Education #51 acquired the net pension liability, deferred outflows of resources, and deferred inflows of resources related to Menard County, resulting in a reduction in net position of \$14,396.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

14 REGIONAL OFFICE OF EDUCATION CONSOLIDATION (Continued)

The following beginning balances have been restated as follows:

General Fund

Fund balance - beginning	\$ 606,797
Effect of consolidation on opening fund balance	4,866
	611,663
Fund balance - beginning, restated	24,766
Prior period adjustment - note 15	636,429
Fund balance - beginning, restated	\$ 636,429

Institute Fund

Fund balance - beginning	\$ 285,458
Effect of consolidation on opening fund balance	9,184
	294,642
Fund balance - beginning, restated	\$ 294,642

Education Fund

Fund balance - beginning	\$ 208,856
Effect of consolidation on opening fund balance	123
	208,979
Fund balance - beginning, restated	(77,141)
Prior period adjustment - note 15	131,838
Fund balance - beginning, restated	\$ 131,838

Nonmajor Special Revenue Funds

Fund balance - beginning	\$ (13,563)
Effect of consolidation on opening fund balance	9,617
	(3,946)
Fund balance - beginning, restated	\$ (3,946)

Governmental activities net position

Net position - July 1, 2015	\$ 444,063
Effect of consolidation on opening net position	23,790
Effect of recognizing net deferred outflows and net pension liability	(14,396)
	453,457
Net position - restated July 1, 2015	(52,375)
Prior period adjustment - note 15	401,082
Net position - restated July 1, 2015	\$ 401,082

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

14 REGIONAL OFFICE OF EDUCATION CONSOLIDATION (Continued)

Sangamon-Menard Counties Regional Office of Education #51 began operations on July 1, 2015, and was formed from the merger of Sangamon County Regional Office of Education #51 and Menard County which was formerly included with Logan/Mason/Menard Counties Regional Office of Education #38. The merger resulted from the Illinois Board of Education's adoption of a motion pursuant to its obligation under 105 ILCS 5/3A-4(a), which recognized consolidations agreed to via county board resolutions prior to June 30, 2013. The initial opening balances of Sangamon-Menard Counties Regional Office of Education #51's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, as of the beginning of the period, were determined on the basis of the carrying values reported in the separate financial statements of Sangamon County Regional Office of Education #51 and Logan/Mason/Menard Counties Regional Office of Education #38 as of July 1, 2015 as follows:

	Merger of Operations as of July 1, 2015		
	Menard County Portion (28.31%)	ROE #51	Total
Total current assets	\$ 24,379	\$ 1,408,217	\$ 1,432,596
Total noncurrent assets	-	19,780	19,780
Total assets	24,379	1,427,997	1,452,376
Deferred outflows of resources	13,853	3,697,893	3,711,746
Total current liabilities	589	242,442	243,031
Total noncurrent liabilities	24,313	4,163,982	4,188,295
Total liabilities	24,902	4,406,424	4,431,326
Deferred inflows of resources	3,936	202,395	206,331
Net position:			
Investment in capital assets	-	19,780	19,780
Restricted - other	18,923	375,405	394,328
Unrestricted	(9,529)	121,886	112,357
Total net position	9,394	517,071	526,465
Prior period adjustment - note 15	-	(52,375)	(52,375)
Total net position, restated	\$ 9,394	\$ 464,696	\$ 474,090

15 PRIOR PERIOD ADJUSTMENTS

As of and for the year ended June 30, 2015, the Regional Office of Education #51 reported \$77,141 as being due from other governments and the related revenue in the Education Fund for contractual obligations that were not met until fiscal year 2016. In addition, as of and for the year ended June 30, 2015, the Regional Office of Education reported \$24,766 as being due to other governments in the Education Fund, but it was subsequently determined this amount represented administrative fees that were earned but just not transferred from the Education Fund to the General Fund. Accordingly, beginning equity balances have been restated as follows:

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2016

15 PRIOR PERIOD ADJUSTMENTS (Continued)

	<u>General Fund</u>
Fund balance - beginning, restated for consolidation - note 14	\$ 611,663
State source revenue	<u>24,766</u>
Fund balance - beginning, restated	<u><u>\$ 636,429</u></u>
	 <u>Education Fund</u>
Fund balance - beginning, restated for consolidation - note 14	\$ 208,979
State source revenue	<u>(77,141)</u>
Fund balance - beginning, restated	<u><u>\$ 131,838</u></u>
	 <u>Governmental Activities</u>
Fund balance - beginning, restated for consolidation - note 14	\$ 453,457
State source revenue	<u>(52,375)</u>
Fund balance - beginning, restated	<u><u>\$ 401,082</u></u>

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

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

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

	2015*	2014*
Employer's proportion of the net pension liability	0.0081377947%	0.0066172458%
Employer's proportionate share of the net pension liability	\$ 5,331,075	\$ 4,027,141
State's proportionate share of the net pension liability associated with the employer	9,546,787	6,221,007
Total	\$ 14,877,862	\$ 10,248,148
Employer's covered-employee payroll	\$ 1,647,690	\$ 1,739,445
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	323.5%	231.5%
Plan fiduciary net position as a percentage of the total pension liability	41.5%	43.0%

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

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

	2016	2015	2014
Contractually-required contribution	\$ 396,120	\$ 282,344	\$ 237,194
Contributions in relation to the contractually-required contribution	398,107	284,634	233,941
Contribution deficiency (excess)	\$ (1,987)	\$ (2,290)	\$ 3,253
Employer's covered-employee payroll	\$ 1,759,664	\$ 1,647,690	\$ 1,739,445
Contributions as a percentage of covered-employee payroll	22.6%	17.3%	13.4%

† 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.

Notes to Required Supplementary Information

Changes of assumptions

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

See accompanying Independent Auditors' Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Illinois Municipal Retirement Fund

Calendar Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2015	\$ 48,396	\$ 48,396	\$ -	\$ 434,836	11.13%
2014	36,475	38,773	(2,298)	370,682	10.46%

Notes to Schedule:

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

Valuation Date:

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

Methods and Assumptions Used to Determine 2015 Contribution Rates:

<i>Actuarial Cost Method:</i>	Aggregate entry age = normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	28-year closed period
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	4%
<i>Price Inflation:</i>	3%, approximate; No explicit price inflation assumption is used in this valuation.
<i>Salary Increases:</i>	4.40% to 16%, including inflation
<i>Investment Rate of Return:</i>	7.5%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
<i>Mortality:</i>	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92 percent of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes: There were no benefit changes during the year.

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

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

See accompanying Independent Auditors' Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

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

Calendar Year Ended December 31,	2015	2014
Total Pension Liability		
Service Cost	\$ 52,561	\$ 49,322
Interest on the Total Pension Liability	131,594	87,963
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(308,537)	42,222
Changes of Assumptions	860	46,271
Benefit Payments, including Refunds of Employee Contributions	(53,160)	(20,296)
Net Change in Total Pension Liability	(176,682)	205,482
Total Pension Liability - Beginning (Restated - see note below)	1,753,380	1,158,211
Total Pension Liability - Ending (A)	\$ 1,576,698	\$ 1,363,693
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 55,659	\$ 38,773
Contributions - Employees	20,859	16,681
Net Investment Income	(373,570)	56,764
Benefit Payments, including Refunds of Employee Contributions	(53,160)	(20,296)
Other (Net Transfer)	52,565	(749)
Net Change in Plan Fiduciary Net Position	(297,647)	91,173
Plan Fiduciary Net Position - Beginning (Restated - see note below)	1,605,926	1,149,379
Plan Fiduciary Net Position - Ending (B)	\$ 1,308,279	\$ 1,240,552
 Net Pension Liability - Ending (A) - (B)	\$ 268,419	\$ 123,141
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.98%	90.97%
 Covered Valuation Payroll	\$ 434,836	\$ 370,682
 Net Pension Liability as a Percentage of Covered Valuation Payroll	61.73%	33.22%

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.

Effective July 1, 2015, Sangamon County Regional Office of Education #51 consolidated Menard County which was formerly included in the Logan/Mason/Menard Counties Regional Office of Education #38. As a result of the consolidation, pension liability - beginning and plan fiduciary net position - beginning for calendar year 2015 increased by \$389,687 and \$365,374, respectively.

See accompanying Independent Auditors' Report.

SUPPLEMENTAL INFORMATION

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND

June 30, 2016

	Local	Administrative Discretionary	Continuum of Learning	General State Aid - Truants Alternative Optional Education Program	General State Aid - Regional Safe Schools	WestEd	Total
Assets							
Investments	\$ -	\$ 107,690	\$ -	\$ 107,690	\$ 107,690	\$ -	\$ 323,070
Accounts receivable	14,058	-	-	1,822	1,703	-	17,583
Due from other funds	-	490,169	8,641	127,391	38,346	-	664,547
Due from other governments	-	65,084	-	-	-	-	65,084
Total assets	\$ 14,058	\$ 662,943	\$ 8,641	\$ 236,903	\$ 147,739	\$ -	\$ 1,070,284
Liabilities							
Accounts payable	\$ 697	\$ 7,223	\$ 10	\$ 888	\$ 416	\$ -	\$ 9,234
Accrued payroll and employee benefits	-	-	-	31,642	-	-	31,642
Due to other funds	19,229	-	-	-	-	-	19,229
Total liabilities	19,926	7,223	10	32,530	416	-	60,105
Deferred inflows of resources							
Unavailable revenue	12,690	-	-	1,822	1,703	-	16,215
Fund balance							
Assigned	-	-	-	202,551	145,620	-	348,171
Unassigned	(18,558)	655,720	8,631	-	-	-	645,793
Total fund balance (deficit)	(18,558)	655,720	8,631	202,551	145,620	-	993,964
Total liabilities, deferred inflows of resources, and fund balance (deficit)	\$ 14,058	\$ 662,943	\$ 8,641	\$ 236,903	\$ 147,739	\$ -	\$ 1,070,284

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

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

For the Year Ended June 30, 2016

	Local	Administrative Discretionary	Continuum of Learning	General State Aid - Truants Alternative Optional Education Program	General State Aid - Regional Safe Schools	WestEd	Total
Revenues							
Local sources	\$ 10,660	\$ 548,531	\$ 4,500	\$ 4,180	\$ -	\$ 186,244	\$ 754,115
State sources	-	-	-	313,733	109,271	-	423,004
On-behalf payments - local	301,501	-	-	-	-	-	301,501
On-behalf payments - state	289,002	-	-	-	-	-	289,002
Interest income	56	5,025	-	4,853	4,702	-	14,636
Increase in fair value of investments	-	708	-	708	708	-	2,124
Total revenues	601,219	554,264	4,500	323,474	114,681	186,244	1,784,382
Expenditures							
Salaries and benefits	-	231,838	3,074	241,287	46,602	153,635	676,436
Purchased services	19,567	97,472	85	69,646	40,336	31,822	258,928
Supplies and materials	-	3,589	-	9,975	1,289	395	15,248
Other objects	-	10,627	-	51	-	-	10,678
On-behalf payments - local	301,501	-	-	-	-	-	301,501
On-behalf payments - state	289,002	-	-	-	-	-	289,002
Pension expense	-	3,376	-	1,185	368	426	5,355
Total expenditures	610,070	346,902	3,159	322,144	88,595	186,278	1,557,148
Excess (deficiency) of revenues over (under) expenditures	(8,851)	207,362	1,341	1,330	26,086	(34)	227,234
Other financing sources (uses)							
Transfers in	-	128,606	-	-	-	1,695	130,301
Total other financing sources (uses)	-	128,606	-	-	-	1,695	130,301
Net change in fund balance	(8,851)	335,968	1,341	1,330	26,086	1,661	357,535
Fund balance (deficit) - beginning, restated - note 14	(9,707)	319,752	7,290	201,221	119,534	(1,661)	636,429
Fund balance (deficit) - ending	\$ (18,558)	\$ 655,720	\$ 8,631	\$ 202,551	\$ 145,620	\$ -	\$ 993,964

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND

JUNE 30, 2016

	Regional Safe Schools	Area III – Homeless Liaison Project	Sangamon County Truants Alternative Optional Education Program	State and Federal School Breakfast and Lunch
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 16,131
Accounts receivable	-	-	-	-
Due from other governments	17,786	8,853	29,106	156
Total assets	\$ 17,786	\$ 8,853	\$ 29,106	\$ 16,287
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll and employee benefits	4,113	2,397	13,961	-
Due to other funds	13,673	6,456	15,145	-
Due to other governments	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	17,786	8,853	29,106	-
Deferred inflows of resources				
Unavailable revenue	-	-	-	-
Fund balance (deficit)				
Restricted	-	-	-	16,287
Unassigned	-	-	-	-
Total fund balance (deficit)	-	-	-	16,287
Total liabilities and fund balance (deficit)	\$ 17,786	\$ 8,853	\$ 29,106	\$ 16,287

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND

JUNE 30, 2016

	ISBE Special Initiatives Program	Race to the Top	Title I - School Improvement and Accountability	Title II - Teacher Quality - Leadership	Principal Preparation and Evaluation
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 3,884
Accounts receivable	-	-	-	-	-
Due from other governments	25,401	36,280	247,106	6,144	-
Total assets	\$ 25,401	\$ 36,280	\$ 247,106	\$ 6,144	\$ 3,884
Liabilities					
Accounts payable	\$ 9	\$ 2,800	\$ 1,574	\$ 1,194	\$ -
Accrued payroll and employee benefits	-	12,103	-	-	-
Due to other funds	25,392	21,377	130,179	4,950	-
Due to other governments	-	-	115,353	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	25,401	36,280	247,106	6,144	-
Deferred inflows of resources					
Unavailable revenue	-	-	-	-	-
Fund balance (deficit)					
Restricted	-	-	-	-	3,884
Unassigned	-	-	-	-	-
Total fund balance (deficit)	-	-	-	-	3,884
Total liabilities and fund balance (deficit)	\$ 25,401	\$ 36,280	\$ 247,106	\$ 6,144	\$ 3,884

\$

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND

JUNE 30, 2016

	Reading Initiative	ROE/ISC Operations	American Institute of Research	Pilot Regional Safe School Cooperative Education Program	Total
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 7,642	\$ 27,657
Accounts receivable	-	-	152,990	-	152,990
Due from other governments	25,267	96,566	-	-	492,665
Total assets	\$ 25,267	\$ 96,566	\$ 152,990	\$ 7,642	\$ 673,312
Liabilities					
Accounts payable	\$ 319	\$ -	\$ 12	\$ -	\$ 5,908
Accrued payroll and employee benefits	3,660	-	-	-	36,234
Due to other funds	21,288	96,566	152,978	-	488,004
Due to other governments	-	-	-	-	115,353
Unearned revenue	-	-	-	7,642	7,642
Total liabilities	25,267	96,566	152,990	7,642	653,141
Deferred inflows of resources					
Unavailable revenue	6,949	-	-	-	6,949
Fund balance (deficit)					
Restricted	-	-	-	-	20,171
Unassigned	(6,949)	-	-	-	(6,949)
Total fund balance (deficit)	(6,949)	-	-	-	13,222
Total liabilities and fund balance (deficit)	\$ 25,267	\$ 96,566	\$ 152,990	\$ 7,642	\$ 673,312

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

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

For the Year Ended June 30, 2016

	Regional Safe Schools	Area III – Homeless Liaison Project	Sangamon County Truants Alternative Optional Education Program	State and Federal School Breakfast and Lunch
Revenues				
State sources	\$ 109,141	\$ -	\$ 184,686	\$ 175
Federal sources	-	39,983	-	20,094
Interest income	-	-	-	-
Total revenues	<u>109,141</u>	<u>39,983</u>	<u>184,686</u>	<u>20,269</u>
Expenditures				
Salaries and benefits	104,127	31,498	170,357	-
Purchased services	3,989	2,157	6,851	21,371
Supplies and materials	239	4,411	1,892	-
Payments to other governments	-	-	-	-
Pension expense	3,378	1,917	8,792	-
Total expenditures	<u>111,733</u>	<u>39,983</u>	<u>187,892</u>	<u>21,371</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,592)</u>	<u>-</u>	<u>(3,206)</u>	<u>(1,102)</u>
Other financing sources:				
Transfer in	2,592	-	3,206	-
Transfer out	-	-	-	-
Total other financing sources	<u>2,592</u>	<u>-</u>	<u>3,206</u>	<u>-</u>
Net change in fund balance	-	-	-	(1,102)
Fund balance (deficit) - beginning, restated - note 14	-	-	-	17,389
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,287</u>

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

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

For the Year Ended June 30, 2016

	ISBE Special Initiatives Program	Race to the Top	Title I - School Improvement and Accountability	Title II - Teacher Quality - Leadership	Principal Preparation and Evaluation
Revenues					
State sources	\$ 375,187	\$ 139,644	\$ -	\$ -	\$ -
Federal sources	-	-	1,047,479	6,144	-
Interest income	-	-	-	-	-
Total revenues	<u>375,187</u>	<u>139,644</u>	<u>1,047,479</u>	<u>6,144</u>	<u>-</u>
Expenditures					
Salaries and benefits	266,728	117,410	335,784	-	-
Purchased services	29,986	22,017	303,413	6,144	-
Supplies and materials	341	164	3,025	-	-
Payments to other governments	-	-	325,886	-	-
Pension expense	78,132	53	79,371	-	-
Total expenditures	<u>375,187</u>	<u>139,644</u>	<u>1,047,479</u>	<u>6,144</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:					
Transfer in	-	-	-	-	-
Transfer out	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-	-
Fund balance (deficit) - beginning, restated - note 14	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,884</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,884</u>

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

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

For the Year Ended June 30, 2016

	Reading Initiative	ROE/ISC Operations	American Institute of Research	Pilot Regional Safe School Cooperative Education Program	Total
Revenues					
State sources	\$ 106,138	\$ 96,566	\$ 1,074,109	\$ 21,567	\$ 2,107,213
Federal sources	-	-	-	-	1,113,700
Interest income	194	-	-	-	194
Total revenues	<u>106,332</u>	<u>96,566</u>	<u>1,074,109</u>	<u>21,567</u>	<u>3,221,107</u>
Expenditures					
Salaries and benefits	110,453	41,247	730,931	20,185	1,928,720
Purchased services	2,635	51,600	74,882	605	525,650
Supplies and materials	-	-	1,783	663	12,518
Payments to other governments	-	-	-	-	325,886
Pension expense	-	3,719	244,605	114	420,081
Total expenditures	<u>113,088</u>	<u>96,566</u>	<u>1,052,201</u>	<u>21,567</u>	<u>3,212,855</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,756)</u>	<u>-</u>	<u>21,908</u>	<u>-</u>	<u>8,252</u>
Other financing sources:					
Transfer in	-	-	-	-	5,798
Transfer out	<u>(110,758)</u>	<u>-</u>	<u>(21,908)</u>	<u>-</u>	<u>(132,666)</u>
Total other financing sources	<u>(110,758)</u>	<u>-</u>	<u>(21,908)</u>	<u>-</u>	<u>(126,868)</u>
Net change in fund balance	<u>(117,514)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(118,616)</u>
Fund balance (deficit) - beginning, restated - note 14	<u>110,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,838</u>
Fund balance (deficit) - ending	<u>\$ (6,949)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,222</u>

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
REGIONAL SAFE SCHOOLS

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 109,141	\$ 109,141	\$ 109,141
Total revenues	109,141	109,141	109,141
Expenditures			
Salaries and benefits	107,596	106,689	104,127
Purchased services	658	2,213	3,989
Supplies and materials	887	239	239
Pension expense	-	-	3,378
Total expenditures	109,141	109,141	111,733
Excess (deficiency) of revenues over (under) expenditures	-	-	(2,592)
Other financing sources			
Transfer in	-	-	2,592
Total other financing sources	-	-	2,592
Net change in fund balance	-	-	-
Fund balance - beginning	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
AREA III - HOMELESS LIAISON PROJECT

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 38,916	\$ 43,870	\$ 39,983
Total revenues	<u>38,916</u>	<u>43,870</u>	<u>39,983</u>
Expenditures			
Salaries and benefits	34,125	34,591	31,498
Purchased services	2,077	3,589	2,157
Supplies and materials	2,714	5,690	4,411
Pension expense	-	-	1,917
Total expenditures	<u>38,916</u>	<u>43,870</u>	<u>39,983</u>
Net change in fund balance	-	-	-
Fund balance - beginning	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
SANGAMON COUNTY TRUANTS ALTERNATIVE OPTIONAL EDUCATION PROGRAM

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 184,686	\$ 184,686	\$ 184,686
Total revenues	<u>184,686</u>	<u>184,686</u>	<u>184,686</u>
Expenditures			
Salaries and benefits	176,476	175,482	170,357
Purchased services	7,272	6,558	6,851
Supplies and materials	938	2,646	1,892
Pension expense	-	-	8,792
Total expenditures	<u>184,686</u>	<u>184,686</u>	<u>187,892</u>
(Deficiency) of revenues (under) expenditures	<u>-</u>	<u>-</u>	<u>(3,206)</u>
Other financing sources			
Transfer in	-	-	3,206
Total other financing sources	<u>-</u>	<u>-</u>	<u>3,206</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 1,461,747	\$ 1,421,280	\$ 1,047,479
Total revenues	<u>1,461,747</u>	<u>1,421,280</u>	<u>1,047,479</u>
Expenditures			
Salaries and benefits	484,677	484,677	335,784
Purchased services	434,250	393,783	303,413
Supplies and materials	6,250	6,250	3,025
Payments to other governments	536,570	536,570	325,886
Pension expense	-	-	79,371
Total expenditures	<u>1,461,747</u>	<u>1,421,280</u>	<u>1,047,479</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 6,144	\$ 6,144	\$ 6,144
Total revenues	<u>6,144</u>	<u>6,144</u>	<u>6,144</u>
Expenditures			
Salaries and benefits	144	144	-
Purchased services	6,000	6,000	6,144
Supplies and materials	-	-	-
Pension expense	-	-	-
Total expenditures	<u>6,144</u>	<u>6,144</u>	<u>6,144</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
ROE/ISC OPERATIONS

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 96,470	\$ 96,566	\$ 96,566
Total revenues	96,470	96,566	96,566
Expenditures			
Salaries and benefits	48,695	48,695	41,247
Purchased services	47,775	47,871	51,600
Supplies and materials	-	-	-
Pension expense	-	-	3,719
Total expenditures	96,470	96,566	96,566
Net change in fund balance	-	-	-
Fund balance - beginning	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
PILOT REGIONAL SAFE SCHOOLS COOPERATIVE EDUCATION PROGRAM

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 40,153	\$ 40,153	\$ 21,567
Total revenues	40,153	40,153	21,567
Expenditures			
Salaries and benefits	38,084	32,830	20,185
Purchased services	869	5,932	605
Supplies and materials	1,200	1,391	663
Pension expense	-	-	114
Total expenditures	40,153	40,153	21,567
Net change in fund balance	-	-	-
Fund balance - beginning	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2016

	General Education Development Certificate	Bus Driver Training	Total
Assets			
Cash and cash equivalents	\$ -	\$ 17,052	\$ 17,052
Accounts receivable	2,561	266	2,827
Due from other governments	-	2,416	2,416
	<u>\$ 2,561</u>	<u>\$ 19,734</u>	<u>\$ 22,295</u>
Liabilities			
Accounts payable	\$ 34	\$ 30	\$ 64
Due to other funds	15,891	-	15,891
	<u>15,925</u>	<u>30</u>	<u>15,955</u>
Fund balance			
Restricted	-	19,704	19,704
Unassigned	(13,364)	-	(13,364)
	<u>(13,364)</u>	<u>19,704</u>	<u>6,340</u>
Total liabilities and fund balance	<u>\$ 2,561</u>	<u>\$ 19,734</u>	<u>\$ 22,295</u>

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

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

For the Year Ended June 30, 2016

	General Education Development Certificate	Bus Driver Training	Total
Revenues			
Local sources	\$ 15,514	\$ 7,178	\$ 22,692
State sources	-	1,697	1,697
Total revenues	<u>15,514</u>	<u>8,875</u>	<u>24,389</u>
Expenditures			
Salaries and benefits	4,832	6,654	11,486
Purchased services	249	2,275	2,524
Supplies and materials	93	-	93
Total expenditures	<u>5,174</u>	<u>8,929</u>	<u>14,103</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,340</u>	<u>(54)</u>	<u>10,286</u>
Net change in fund balance	10,340	(54)	10,286
Fund balance (deficit) - beginning, restated - note 14	<u>(23,704)</u>	<u>19,758</u>	<u>(3,946)</u>
Fund balance (deficit) - ending	<u>\$ (13,364)</u>	<u>\$ 19,704</u>	<u>\$ 6,340</u>

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS

June 30, 2016

	Business-type Activities Proprietary Funds		
	Staff Development Center Workshop Fund	Background Checks	Total
Assets			
Currents assets			
Accounts receivable	\$ 70	\$ -	\$ 70
Due from other funds	36,650	36,775	73,425
Due from other governments	-	5,604	5,604
Total current assets	36,720	42,379	79,099
Noncurrent assets			
Capital assets, net of depreciation	-	-	-
Total assets	36,720	42,379	79,099
Liabilities			
Current liabilities			
Accounts payable	14	3,351	3,365
Total liabilities	14	3,351	3,365
Net position			
Unrestricted	36,706	39,028	75,734
Total net position	\$ 36,706	\$ 39,028	\$ 75,734

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

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

For the Year Ended June 30, 2016

	Business-type Activities Proprietary Funds		
	Staff Development Center Workshop Fund	Background Checks	Total
Operating revenues			
Charges for services	\$ 27,708	\$ 49,638	\$ 77,346
Total operating revenues	27,708	49,638	77,346
Operating expenses			
Salaries and benefits	9,487	5,455	14,942
Purchased services	23,465	34,380	57,845
Supplies and materials	301	-	301
Other objects	485	-	485
Pension expense	799	248	1,047
Total operating expenses	34,537	40,083	74,620
Change in net position	(6,829)	9,555	2,726
Net position - beginning	43,535	29,473	73,008
Net position - ending	\$ 36,706	\$ 39,028	\$ 75,734

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS

For the Year Ended June 30, 2016

	Business-type Activities Proprietary Funds		
	Staff Development Center Workshop Fund	Background Checks	Total
Cash flows from operating activities			
Receipts from customers	\$ 34,521	\$ 50,472	\$ 84,993
Payments to suppliers and providers of goods and services	(25,149)	(34,917)	(60,066)
Payments to employees	(10,286)	(5,703)	(15,989)
Net cash provided by (used for) operating activities	(914)	9,852	8,938
Cash flows from noncapital financing activities			
Decrease (increase) in interfund borrowing, net	914	(9,852)	(8,938)
Net cash provided by (used for) noncapital financing activities	914	(9,852)	(8,938)
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents - beginning	-	-	-
Cash and cash equivalents - ending	\$ -	\$ -	\$ -
Reconciliation of operating income to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (6,829)	\$ 9,555	\$ 2,726
Adjustments to reconcile operating income (loss) to net cash (used for) provided by operating activities:			
(Increase) in accounts receivable	(70)	-	(70)
Decrease in due from other governments	6,883	834	7,717
Decrease in accounts payable	(898)	(537)	(1,435)
Net cash provided by (used for) operating activities	\$ (914)	\$ 9,852	\$ 8,938

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS

June 30, 2016

	Illinois Education and Technology Conference	Sangamon County Schoolmasters	Sangamon County Learning Academy	Those Who Excel	Land Transfer	Total
Assets						
Cash and cash equivalents	\$ 120,289	\$ 2,208	\$ 8,352	\$ 320	\$ -	\$ 131,169
Total assets	120,289	2,208	8,352	320	-	131,169
Liabilities						
Due to other governments	120,289	2,208	8,352	320	-	131,169
Total liabilities	\$ 120,289	\$ 2,208	\$ 8,352	\$ 320	\$ -	\$ 131,169

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the Year Ended June 30, 2016

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ILLINOIS EDUCATION AND TECHNOLOGY CONFERENCE</u>				
Assets				
Cash and cash equivalents	\$ 127,934	\$ 133,115	\$ 140,760	\$ 120,289
Total assets	<u>\$ 127,934</u>	<u>\$ 133,115</u>	<u>\$ 140,760</u>	<u>\$ 120,289</u>
Liabilities				
Due to other governments	\$ 127,934	\$ 133,115	\$ 140,760	\$ 120,289
Total liabilities	<u>\$ 127,934</u>	<u>\$ 133,115</u>	<u>\$ 140,760</u>	<u>\$ 120,289</u>
 <u>SANGAMON COUNTY SCHOOLMASTERS</u>				
Assets				
Cash and cash equivalents	\$ 4,594	\$ 3,513	\$ 5,899	\$ 2,208
Total assets	<u>\$ 4,594</u>	<u>\$ 3,513</u>	<u>\$ 5,899</u>	<u>\$ 2,208</u>
Liabilities				
Due to other governments	\$ 4,594	\$ 3,513	\$ 5,899	\$ 2,208
Total liabilities	<u>\$ 4,594</u>	<u>\$ 3,513</u>	<u>\$ 5,899</u>	<u>\$ 2,208</u>
 <u>SANGAMON COUNTY LEARNING ACADEMY</u>				
Assets				
Cash and cash equivalents	\$ 6,636	\$ 9,370	\$ 7,654	\$ 8,352
Total assets	<u>\$ 6,636</u>	<u>\$ 9,370</u>	<u>\$ 7,654</u>	<u>\$ 8,352</u>
Liabilities				
Due to other governments	\$ 6,636	\$ 9,370	\$ 7,654	\$ 8,352
Total liabilities	<u>\$ 6,636</u>	<u>\$ 9,370</u>	<u>\$ 7,654</u>	<u>\$ 8,352</u>

See accompanying Independent Auditor's Report.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the Year Ended June 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
<u>THOSE WHO EXCEL</u>				
Assets				
Cash and cash equivalents	\$ 1,940	\$ 39,080	\$ 40,700	\$ 320
Total assets	\$ 1,940	\$ 39,080	\$ 40,700	\$ 320
Liabilities				
Due to other governments	\$ 1,940	\$ 39,080	\$ 40,700	\$ 320
Total liabilities	\$ 1,940	\$ 39,080	\$ 40,700	\$ 320
 <u>LAND TRANSFER</u>				
Assets				
Cash and cash equivalents	\$ 172	\$ -	\$ 172	\$ -
Total assets	\$ 172	\$ -	\$ 172	\$ -
Liabilities				
Due to other governments	\$ 172	\$ -	\$ 172	\$ -
Total liabilities	\$ 172	\$ -	\$ 172	\$ -
 <u>TOTAL - ALL AGENCY FUNDS</u>				
Assets				
Cash and cash equivalents	\$ 141,276	\$ 185,078	\$ 195,185	\$ 131,169
Total assets	\$ 141,276	\$ 185,078	\$ 195,185	\$ 131,169
Liabilities				
Due to other governments	\$ 141,276	\$ 185,078	\$ 195,185	\$ 131,169
Total liabilities	\$ 141,276	\$ 185,078	\$ 195,185	\$ 131,169

See accompanying Independent Auditor's Report.

FEDERAL COMPLIANCE SECTION

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

<u>Federal Grantor/Pass Through Grantor, Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education passed-through Illinois State Board of Education				
Title I Grants to Local Educational Agencies <i>Title I - School Improvement & Accountability</i>	(M) 84.010A	16-4331-SS	\$ 325,886	\$1,047,479
Improving Teacher Quality State Grants <i>Title II - Teacher Quality - Leadership Grant</i>	84.367A	16-4935-02	-	6,144
Total U.S. Department of Education passed-through Illinois State Board of Education			<u>325,886</u>	<u>1,053,623</u>
Passed-Through Regional Office of Education #26				
Education for Homeless Children and Youth <i>McKinney-Vento Education for Homeless Children and Youth</i>	84.196A	16-4920-00	-	39,983
Total U.S. Department of Education			<u>325,886</u>	<u>1,093,606</u>
U.S. Department of Agriculture				
Passed-Through Illinois State Board of Education				
Child Nutrition Cluster <i>National School Lunch Program</i>	10.555	16-4210-00	-	13,080
<i>National School Lunch Program</i>	10.555	15-4210-00	-	2,121
<i>School Breakfast Program</i>	10.553	16-4220-00	-	4,026
<i>School Breakfast Program</i>	10.553	15-4220-00	-	867
Total U.S. Department of Agriculture			<u>-</u>	<u>20,094</u>
Total Expenditures of Federal Awards			<u><u>\$ 325,886</u></u>	<u><u>\$1,113,700</u></u>

(M) Program was audited as a major program.

The accompanying notes are an integral part of this schedule.

SANGAMON-MENARD COUNTIES
REGIONAL OFFICE OF EDUCATION #51

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Regional Office of Education #51 under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Regional Office of Education #51, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Regional Office of Education #51. Therefore, some amounts presented on this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Regional Office of Education #51 has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.