



**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES**

**FINANCIAL AUDIT
(In Accordance with the Uniform Guidance)**

For the Year Ended June 30, 2018

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



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**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES**

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FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES**

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**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES**

OFFICIALS

Regional Superintendent
(Current and during audit period)

Lorie LeQuatte

Assistant Regional Superintendent
(Current and during audit period)

Mandy Horn

Offices are located at:

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Marion, IL 62959

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Project ECHO Alternative Program
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Johnston City, IL 62951

S.T.A.R. Quest Academy Regional Safe School Program (RSSP) - North
PO Box 303, 17428 Route 37
Johnston City, IL 62951

S.T.A.R. Quest Academy RSSP – South
1102 West 10th Street
Metropolis, IL 62960

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES**

COMPLIANCE REPORT

SUMMARY

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

AUDITORS' REPORTS

The auditors' reports on compliance and on internal controls do not contain scope limitations, disclaimers, or other significant nonstandard language.

SUMMARY OF AUDIT FINDINGS

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

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

FINDINGS (*GOVERNMENT AUDITING STANDARDS*)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2018-001	14	Controls over financial statement preparation	Material Weakness
2018-002	16	Internal Controls over Restricted Cash	Material Weakness

FINDINGS AND QUESTIONED COSTS (*FEDERAL COMPLIANCE*)

None

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES**

COMPLIANCE REPORT (CONTINUED)

SUMMARY (CONTINUED)

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

None noted.

PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

None

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Office personnel at an exit conference on September 10, 2019. Attending were Lorie LeQuatte, Regional Superintendent; Johna Schullian, Comptroller; Alison Cross, Bookkeeper, from the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21; Jeanne Michaud, OAG Audit Manager; and Megan Cochran, Sikich LLP. Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's responses to the recommendations and corrective action plan were provided by Lorie LeQuatte, Regional Superintendent, in an email dated September 12, 2019.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES**

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 was performed by Sikich LLP.

Based on their audit, the auditors expressed an unmodified opinion on the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's basic financial statements.

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21'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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21, as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 1 in the notes to the financial statements, the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 adopted GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents, including management's discussion and analysis, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's basic financial statements. The combining schedules of accounts, budgetary comparison schedules, 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 is not a required part of the basic financial statements.

The combining schedules of accounts, budgetary comparison schedules, 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 the responsibility of management and was 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, the combining schedules of accounts, budgetary comparison schedules, 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 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 a report dated October 29, 2019 on our consideration of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's internal control over financial reporting and compliance.

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Springfield, Illinois
October 29, 2019

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's basic financial statements and have issued our report thereon dated October 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's internal control. Accordingly, we do not express an opinion on the effectiveness of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21'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 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 over financial reporting 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 2018-001 and 2018-002 that we considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of the Franklin-Johnson-Massac-Williamson Regional Office of Education #21 in a separate letter dated October 29, 2019.

Regional Office of Education #21's Responses to Findings

The Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Regional Office of Education #21's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21'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 Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Springfield, Illinois
October 29, 2019

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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 the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's major federal programs for the year ended June 30, 2018. The Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's major federal programs are 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 each of the Regional Office of Education #21's major federal programs 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 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 Franklin-Johnson-Massac-Williamson Counties Regional Office of Education # 21'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 each major federal program. However, our audit does not provide a legal determination of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's compliance.

Opinion on Each Major Federal Program

In our opinion, the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 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 Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21'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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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.

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Springfield, Illinois
October 29, 2019

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

Section I – Summary of Auditor’s Results

Financial Statements in accordance with GAAP

Type of auditor’s report issued: *unmodified*

Internal control over financial reporting:
Material weakness(es) identified? x yes no
Significant deficiency(ies) identified? yes x none noted

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? yes x no
Significant deficiency(ies) identified? yes x no

Type of auditors’ report issued on compliance
for major federal programs: *unmodified*

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516 (a)? yes x no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.196A	Education of Homeless Children and Youth
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? yes x no

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2018**

FINDING NO. 2018-001 – Controls Over Financial Statement Preparation (Partially Repeated From Finding 2017-001)

CRITERIA/SPECIFIC REQUIREMENT:

The Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 (Regional Office) is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

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

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, requires government to record and present OPEB liabilities, assets, deferred outflows of resources, deferred inflows of resources, and OPEB expenses. The standard further prescribes the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

CONDITION:

The Regional Office does not have sufficient internal controls over the financial reporting disclosure process. The Regional Office maintains their accounting records on the cash basis of accounting during the fiscal year and posts year end accrual entries for audit purposes. While the Regional Office maintains controls over the processing of accounting transactions, including providing information for several reconciling items between the governmental fund financial statements and the statement of net position and statement of activities, 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.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2018**

FINDING NO. 2018-001 – Controls Over Financial Statement Preparation (Partially Repeated From Finding 2017-001) (Continued)

During review of the financial information prepared by the Regional Office, it was noted that while the Regional Office provided financial information for the required disclosures, additional assistance was needed for required disclosures supporting the financial information. Specifically, additional assistance was needed for the disclosures and required supplementary information relating to GASB Statements No. 68, 71, and 75.

EFFECT:

Management or employees in the normal course of performing their assigned functions may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

CAUSE:

Regional Office Management indicated the accounting staff is still in the process of obtaining training over applicable GAAP and GASB pronouncements, specifically the new GASB Statements requiring extensive disclosures and additional reporting requirements. The accountant prepared the majority of the financial statement information for the first time this year and will continue to improve on the financial reporting process.

RECOMMENDATION:

As part of its internal control over the preparation of financial statements, including disclosures, the Regional Office should continue to implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by an individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office's activities and operations.

MANAGEMENT'S RESPONSE:

As governmental accounting and reporting standards continue to shift rapidly, the Regional Office will monitor and identify trainings in order for our current staff to have the most up-to-date training and be able to accurately prepare the financial information. The Regional Office will secure the services of an individual or accounting firm possessing the understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office's activities and operations until the Regional Office is trained in the preparation of such financial statements.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2018**

FINDING NO. 2018-002 – Internal Controls Over Restricted Cash (Repeat of Finding 2017-002)

CRITERIA/SPECIFIC REQUIREMENT:

Illinois statute (105 ILCS 5/3-12) restricts the use of Institute Fund monies to defray expenses associated with the work of the regional professional development review committees, to defray expenses connected with improving the technology necessary for the efficient processing of licenses; to defray all costs associated with the administration of teaching licenses; 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 to defray 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 pools most of its cash into one operating bank account. With such an account, funds with deficit cash balances are considered to have borrowed cash from other funds to cover their expenditures. At June 30, 2018, the Regional Office reported a deficit cash balance in several of its funds. Cash totaling \$20,001 from the Technology Institute Fund was reduced to cover these deficit balances. Loans to other funds are an unauthorized use of restricted fund monies.

EFFECT:

The Regional Office was not in compliance with 105 ILCS 5/3-12.

CAUSE:

Regional Office Management indicated that several of the Regional Office's programs operate on a reimbursement basis, creating a period during which the program has paid expenditures for which it has not received funding. The unrestricted funds available to cover these expenditures were not sufficient to cover the deficit cash balances.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2018**

FINDING NO. 2018-002 – Internal Controls Over Restricted Cash (Repeat of Finding 2017-002) (Continued)

RECOMMENDATION:

The Regional Office should initiate procedures to monitor cash and ensure that restricted funds are only expended for their restricted purposes. In addition, the Regional Office should make transfers from funds with unrestricted cash and/or seek lines of credit to pay expenditures for reimbursable programs that have insufficient cash.

MANAGEMENT’S RESPONSE:

The Regional Office understands the finding. With limited financial resources, the Regional Superintendent will work with the accounting department to closely monitor available funds in each account and ensure that only unrestricted funds are used to cover programs that have insufficient cash when payments are delayed by the State or other funding source.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
SECTION III – FEDERAL AWARDS FINDINGS
For the Year Ended June 30, 2018**

INSTANCES OF NON COMPLIANCE:

None

SIGNIFICANT DEFICIENCIES:

None

MATERIAL WEAKNESSES:

None

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2018**

Corrective Action Plan

FINDING NO. 2018-001 – Controls Over Financial Statement Preparation (Partially Repeated From Finding 2017-001)

CONDITION:

The Regional Office does not have sufficient internal controls over the financial reporting disclosure process. The Regional Office maintains their accounting records on the cash basis of accounting during the fiscal year and posts year end accrual entries for audit purposes. While the Regional Office maintains controls over the processing of accounting transactions, including providing information for several reconciling items between the governmental fund financial statements and the statement of net position and statement of activities, 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.

During review of the financial information prepared by the Regional Office, it was noted that while the Regional Office provided financial information for the required disclosures, additional assistance was needed for required disclosures supporting the financial information. Specifically, additional assistance was needed for the disclosures and required supplementary information relating to GASB Statements No. 68, 71, and 75.

PLAN:

The Regional Office will monitor and identify trainings to accurately prepare the financial statements and will secure the services of an individual or accounting firm to assist with the preparation of the financial statements until the Regional Office is trained.

ANTICIPATED DATE OF COMPLETION:

June 30, 2019

CONTACT PERSON:

Lorie LeQuatte, Regional Superintendent

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 2018**

Corrective Action Plan

FINDING NO. 2018-002 – Internal Controls Over Restricted Cash (Repeat of Finding 2017-002)

CONDITION:

The Regional Office pools most of its cash into one operating bank account. With such an account, funds with deficit cash balances are considered to have borrowed cash from other funds to cover their expenditures. At June 30, 2018, the Regional Office reported a deficit cash balance in several of its funds. Cash totaling \$20,001 from the Technology Institute Fund was reduced to cover these deficit balances. Loans to other funds are an unauthorized use of restricted fund monies.

PLAN:

The Regional Superintendent will work with the accounting department to closely monitor available funds in each account and ensure that only unrestricted funds are used to cover programs that have insufficient cash when payments are delayed by the State or other funding source.

ANTICIPATED DATE OF COMPLETION:

June 30, 2019

CONTACT PERSON:

Lorie LeQuatte, Regional Superintendent

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS NOT REPEATED
For the Year Ended June 30, 2018**

None

STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 (Regional Office) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the Regional Office's financial statements, which follow.

This report will include past year financial activity, along with fiscal year 2018 activity, making comparisons of the financial position and results of operations more meaningful.

2018 FINANCIAL HIGHLIGHTS

At June 30, 2018, the Education Fund deficit was \$(104,959), an increase of \$64,436 from the June 30, 2017 fund deficit of \$(169,395). This increase was primarily due to a decrease in unavailable revenue; that is, revenues that were due to the Regional Office from its funding sources at year-end but were not received within 60 days of year-end.

The General Fund balance was \$276,785 at June 30, 2018, an increase of \$64,133 from the June 30, 2017 fund balance of \$212,652. General Fund revenues were \$1,110,295 (excluding on-behalf payments) in fiscal year 2018. There was a general increase of \$37,094 in our revenue from local sources from fiscal year 2017. General Fund expenditures were \$1,044,548 (excluding on-behalf payments), which decreased by \$65,036 from fiscal year 2017 mainly in salaries and benefits and purchased services.

USING THIS ANNUAL REPORT

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

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

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

- Supplementary Information further explains and supports the financial statements with a comparison of the Regional Office's detailed information for each category of funds and also provides detailed information about the non-major funds.

Reporting the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

Fund Financial Statements

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

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The Office has three kinds of fund classifications:

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

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

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

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

- 3) Fiduciary funds account for services for which the Regional Office acts as fiscal agent for individuals and private or governmental organizations.

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The Regional Office's total net position at the end of fiscal year 2017 totaled \$(2,400,715). At the end of fiscal year 2018, the net position was \$(3,282,354). The analysis that follows provides a summary of the Regional Office's net position at June 30, 2018 and 2017.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

**CONDENSED STATEMENT OF NET POSITION
June 30, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current assets	\$ 642,613	\$ 601,434	\$ 30,016	\$31,308	\$ 672,629	\$ 632,742
Capital assets, net of depreciation	49,644	34,451	-	-	49,644	34,451
Net pension asset	<u>462,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>462,072</u>	<u>-</u>
TOTAL ASSETS	<u>1,154,329</u>	<u>635,885</u>	<u>30,016</u>	<u>31,308</u>	<u>1,184,345</u>	<u>667,193</u>
DEFERRED OUTFLOWS OF RESOURCES						
	<u>1,241,081</u>	<u>2,164,576</u>	<u>-</u>	<u>-</u>	<u>1,241,081</u>	<u>2,164,576</u>
LIABILITIES						
Current liabilities	197,101	212,128	-	-	197,101	212,128
Noncurrent liabilities	<u>2,417,958</u>	<u>1,644,713</u>	<u>-</u>	<u>-</u>	<u>2,417,958</u>	<u>1,644,713</u>
TOTAL LIABILITIES	<u>2,615,059</u>	<u>1,856,841</u>	<u>-</u>	<u>-</u>	<u>2,615,059</u>	<u>1,856,841</u>
DEFERRED INFLOWS OF RESOURCES						
	<u>3,092,721</u>	<u>3,375,643</u>	<u>-</u>	<u>-</u>	<u>3,092,721</u>	<u>3,375,643</u>
NET POSITION						
Net investment in capital assets	38,249	17,358	-	-	38,249	17,358
Restricted for education purposes	635,988	172,713	-	-	635,988	172,713
Unrestricted	<u>(3,986,607)</u>	<u>(2,622,094)</u>	<u>30,016</u>	<u>31,308</u>	<u>(3,956,591)</u>	<u>(2,590,786)</u>
TOTAL NET POSITION	<u>\$(3,312,370)</u>	<u>\$(2,432,023)</u>	<u>\$ 30,016</u>	<u>\$31,308</u>	<u>\$(3,282,354)</u>	<u>\$(2,400,715)</u>

The Regional Office's net position decreased by \$881,639 from June 30, 2017 to June 30, 2018. The increase was primarily due to the change in the IMRF liability and deferred outflows from the prior year actuarial valuation.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The following analysis shows the changes in net position for the years ended June 30, 2018 and 2017.

**CHANGES IN NET POSITION
For the Years Ended June 30, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 84,421	\$ 74,343	\$ 123,731	\$ 122,647	\$ 208,152	\$ 196,990
Operating grants & contributions	<u>1,231,848</u>	<u>1,695,605</u>	-	-	<u>1,231,848</u>	<u>1,695,605</u>
Total Program revenues	<u>1,316,269</u>	<u>1,769,948</u>	<u>123,731</u>	<u>122,647</u>	<u>1,440,000</u>	<u>1,892,595</u>
General revenues:						
Local sources	420,538	395,118	-	-	420,538	395,118
State sources	679,949	680,023	-	-	679,949	680,023
On-behalf payments	1,098,513	1,003,594	-	-	1,098,513	1,003,594
Interest	680	401	-	-	680	401
Total General revenues	<u>2,199,680</u>	<u>2,079,136</u>	-	-	<u>2,199,680</u>	<u>2,079,136</u>
Total Revenues	<u>3,515,949</u>	<u>3,849,084</u>	<u>123,731</u>	<u>122,647</u>	<u>3,639,680</u>	<u>3,971,731</u>
Expenses:						
Salaries	1,131,381	1,454,183	5,812	2,447	1,137,193	1,456,630
Employer benefits	232,866	189,531	404	1,053	233,270	190,584
Pension expense	(107,117)	1,081,816	316	-	(106,801)	1,081,816
Purchased services	314,536	494,478	3,301	1,829	317,837	496,307
Supplies and materials	109,669	85,816	114,175	118,977	223,844	204,793
Payments to other governmental units	586,047	482,986	-	-	586,047	482,986
Depreciation	10,668	12,949	-	-	10,668	12,949
Capital outlay	-	1,421	1,053	-	1,053	1,421
On-behalf payments	<u>1,098,513</u>	<u>1,003,594</u>	-	-	<u>1,098,513</u>	<u>1,003,594</u>
Total expenses	<u>3,376,563</u>	<u>4,806,774</u>	<u>125,061</u>	<u>124,306</u>	<u>3,501,624</u>	<u>4,931,080</u>
Excess (Deficiency) before transfers	139,386	(957,690)	(1,330)	(1,659)	138,056	(959,349)
Transfers	<u>(38)</u>	<u>100</u>	<u>38</u>	<u>(100)</u>	-	-
Change in net position	139,348	(957,590)	(1,292)	(1,759)	138,056	(959,349)
Net Position – beginning (Restated, See Note 17)	<u>(3,451,718)</u>	<u>(1,474,433)</u>	<u>31,308</u>	<u>33,067</u>	<u>(3,420,410)</u>	<u>(1,441,366)</u>
Net Position – ending	<u>\$ (3,312,370)</u>	<u>\$ (2,432,023)</u>	<u>\$ 30,016</u>	<u>\$ 31,308</u>	<u>\$ (3,282,354)</u>	<u>\$ (2,400,715)</u>

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Governmental Activities

Excluding on-behalf payments, revenues from governmental activities were \$2,417,436 and expenses were \$2,278,050 for fiscal year 2018 and \$2,845,490 and \$3,803,180 for fiscal year 2017, respectively. The overall decrease in governmental activities expenses over the prior year was primarily due to the decreases in salaries and purchased services and a decrease in pension expenses due to the change in the IMRF pension liability. The Regional Office plans to streamline activities and maximize efficiency to maintain services offered to and needed by local school districts in future fiscal years.

Business-Type Activities

Revenues and expenses for the Regional Office's business-type activities remained relatively consistent with the prior fiscal year.

Financial Analysis of the Regional Office of Education #21 Funds

Governmental Fund Highlights

As previously noted, the Regional Office uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. At June 30, 2018, the Regional Office's governmental funds reported combined fund balances of \$336,802, an increase from last year's ending fund balance of \$210,983. The primary reason for the increase in combined fund balances at 2018 was due to the increase of local revenues received and a decrease in expenditures for fiscal year 2018.

Budgetary Highlights

The Regional Office annually adopts program budgets on a basis consistent with U.S. generally accepted accounting principles. The Illinois State Board of Education reviews many of the proposed budgets and either grants approval or returns them without approval with comments. Any unapproved budget must be resubmitted to the Illinois State Board of Education or other granting agency for final approval. The budgets may be amended during the year utilizing procedures prescribed by the Illinois State Board of Education or other applicable granting agency.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Capital Assets

Capital Assets of the Regional Office include buildings and building improvements, office equipment, computers, audio-visual equipment, and office furniture. The Regional Office maintains an inventory of capital assets, which have been accumulated over time. The increase in capital assets, net of depreciation during fiscal year 2018 was a result of current year additions, offset by current year depreciation. The Regional Office's ending net asset balance at June 30, 2018 is \$49,644, which is the total original cost of the capital assets less accumulated depreciation. More detailed information about capital assets is available in Note 10 to the financial statements.

Economic Factors And Next Year's Budget

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

- The State of Illinois will fund the ROE Alternative and Regional Safe Schools at the base level hold harmless funding level. There is a concern that the State will not be able to make all of their General State Aid payments for fiscal year 2018.
- The number of students served by the Regional Office is expected to remain constant.
- The levels for the FY 2019 Federal grants received will increase slightly.
- The Regional Office will continue to serve as area-wide fiscal agent for the McKinney-Vento Homeless program which will greatly affect its operations due to increased program activity.
- The Regional Office will not longer serve as area-wide fiscal agent for the Foundational Services Grant. The grant will no longer be offered by the State.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the Regional Office's citizens, taxpayers, clients, and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the Franklin-Johnson-Massac-Williamson Counties Regional Office of Education #21 at 901 Public Square, Benton, IL 62812.

BASIC FINANCIAL STATEMENTS

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
STATEMENT OF NET POSITION
June 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 300,869	\$ 8,549	\$ 309,418
Internal balances	(20,600)	20,600	-
Accounts receivable	38,983	867	39,850
Due from other governments	302,678	-	302,678
Prepaid expenses	20,683	-	20,683
Total current assets	<u>642,613</u>	<u>30,016</u>	<u>672,629</u>
Noncurrent assets:			
Capital assets, net of depreciation	49,644	-	49,644
Net pension asset	462,072	-	462,072
Total noncurrent assets	<u>511,716</u>	<u>-</u>	<u>511,716</u>
TOTAL ASSETS	<u>1,154,329</u>	<u>30,016</u>	<u>1,184,345</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,191,404	-	1,191,404
Deferred outflows related to OPEB	49,677	-	49,677
Total deferred outflows of resources	<u>1,241,081</u>	<u>-</u>	<u>1,241,081</u>
LIABILITIES			
Current liabilities:			
Accounts payable	16,118	-	16,118
Accrued wages and benefits	72,758	-	72,758
Due to other governments	102,527	-	102,527
Capital lease payable, current	5,698	-	5,698
Total current liabilities	<u>197,101</u>	<u>-</u>	<u>197,101</u>
Noncurrent liabilities:			
Capital lease payable, noncurrent	5,697	-	5,697
Net OPEB liability	1,042,757	-	1,042,757
Net pension liability	1,369,504	-	1,369,504
Total noncurrent liabilities	<u>2,417,958</u>	<u>-</u>	<u>2,417,958</u>
TOTAL LIABILITIES	<u>2,615,059</u>	<u>-</u>	<u>2,615,059</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	2,976,136	-	2,976,136
Deferred inflows related to OPEB	116,585	-	116,585
Total deferred inflows of resources	<u>3,092,721</u>	<u>-</u>	<u>3,092,721</u>
NET POSITION			
Net investment in capital assets	38,249	-	38,249
Restricted for educational purposes	635,988	-	635,988
Unrestricted	(3,986,607)	30,016	(3,956,591)
TOTAL NET POSITION	<u>\$ (3,312,370)</u>	<u>\$ 30,016</u>	<u>\$ (3,282,354)</u>

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

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
FUNCTIONS/PROGRAMS							
Primary government							
Governmental activities:							
Instructional services							
Salaries	\$ 1,131,381	\$ 4,993	\$ 512,446	\$ -	\$ (613,942)	\$ -	\$ (613,942)
Employer benefits	232,866	383	56,020	-	(176,463)	-	(176,463)
Pension expense	(107,117)	-	22,531	-	129,648	-	129,648
Purchased services	314,536	65,989	138,952	-	(109,595)	-	(109,595)
Supplies and materials	109,669	5,529	60,639	-	(43,501)	-	(43,501)
Capital outlay	-	7,527	9,079	-	16,606	-	16,606
Depreciation	10,668	-	-	-	(10,668)	-	(10,668)
Intergovernmental							
Payments to other governments	586,047	-	432,181	-	(153,866)	-	(153,866)
Administrative							
On Behalf Payments	1,098,513	-	-	-	(1,098,513)	-	(1,098,513)
Total governmental activities	<u>3,376,563</u>	<u>84,421</u>	<u>1,231,848</u>	<u>-</u>	<u>(2,060,294)</u>	<u>-</u>	<u>(2,060,294)</u>
Business-type activities:							
Professional development	125,061	123,731	-	-	-	(1,330)	(1,330)
Total business-type activities	<u>125,061</u>	<u>123,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,330)</u>	<u>(1,330)</u>
Total primary government	<u>\$ 3,501,624</u>	<u>\$ 208,152</u>	<u>\$ 1,231,848</u>	<u>\$ -</u>	<u>(2,060,294)</u>	<u>(1,330)</u>	<u>(2,061,624)</u>
General revenues:							
Local sources					420,538	-	420,538
State sources					679,949	-	679,949
On-behalf payments					1,098,513	-	1,098,513
Interest					680	-	680
Transfers					(38)	38	-
Total general revenues and transfers					<u>2,199,642</u>	<u>38</u>	<u>2,199,680</u>
Change in net position					139,348	(1,292)	138,056
Net position - beginning (Restated - see Note 17)					<u>(3,451,718)</u>	<u>31,308</u>	<u>(3,420,410)</u>
Net position - ending					<u>\$ (3,312,370)</u>	<u>\$ 30,016</u>	<u>\$ (3,282,354)</u>

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

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018**

	<u>General Fund</u>	<u>Education Fund</u>	<u>Institute Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Eliminations</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 187,729	\$ 7,859	\$ 79,634	\$ 25,647	\$ -	\$ 300,869
Due from other funds	135,000	-	20,001		(175,601)	(20,600)
Accounts receivable	2,170	-	36,143	670	-	38,983
Due from other governments	13,645	289,033	-	-	-	302,678
Prepaid expense	17,109	63	3,511	-	-	20,683
TOTAL ASSETS	<u>355,653</u>	<u>296,955</u>	<u>139,289</u>	<u>26,317</u>	<u>(175,601)</u>	<u>642,613</u>
DEFERRED OUTFLOWS OF RESOURCES						
	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 355,653</u>	<u>\$ 296,955</u>	<u>\$ 139,289</u>	<u>\$ 26,317</u>	<u>\$ (175,601)</u>	<u>\$ 642,613</u>
LIABILITIES						
Accounts payable	\$ 5,601	\$ 10,517	\$ -	\$ -	\$ -	\$ 16,118
Accrued wages and benefits	72,758	-	-	-	-	72,758
Due to other funds	-	175,601	-	-	(175,601)	-
Due to other governments	-	102,527	-	-	-	102,527
Total liabilities	<u>78,359</u>	<u>288,645</u>	<u>-</u>	<u>-</u>	<u>(175,601)</u>	<u>191,403</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	509	113,269	-	630	-	114,408
FUND BALANCES (DEFICIT)						
Nonspendable	17,109	63	3,511	-	-	20,683
Restricted	-	8,022	135,778	25,687	-	169,487
Assigned	29,282	-	-	-	-	29,282
Unassigned	230,394	(113,044)	-	-	-	117,350
Total fund balances (deficits)	<u>276,785</u>	<u>(104,959)</u>	<u>139,289</u>	<u>25,687</u>	<u>-</u>	<u>336,802</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES (DEFICITS)	<u>\$ 355,653</u>	<u>\$ 296,955</u>	<u>\$ 139,289</u>	<u>\$ 26,317</u>	<u>\$ (175,601)</u>	<u>\$ 642,613</u>

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

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2018**

Total fund balances - governmental funds	\$	336,802
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Some revenue will not be collected for several months after the Regional Office fiscal year ends, they are not considered "available" revenues and are deferred inflows of revenues in the governmental funds		
Current year unavailable revenue		114,408
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds, net of accumulated depreciation of \$446,701		
		49,644
Noncurrent assets related to pension benefits are collected but not payable in the current period and therefore, are not reported in the funds.		
IMRF net pension asset		462,072
Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and therefore are not reported in the governmental funds as follows:		
Deferred outflows of resources	\$ 1,241,081	
Deferred inflows of resources	<u>(3,092,721)</u>	(1,851,640)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds:		
Capital lease payable	(11,395)	
TRS net pension liability	(1,369,504)	
Net OPEB Liability	<u>(1,042,757)</u>	<u>(2,423,656)</u>
Net position of governmental activities	\$	<u><u>(3,312,370)</u></u>

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

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
REVENUES					
Federal sources	\$ -	\$ 815,263	\$ -	\$ -	\$ 815,263
State sources	679,949	477,698	-	1,455	1,159,102
Local sources	429,666	-	74,014	8,324	512,004
Interest Income	680	-	-	-	680
On-behalf payments	373,402	-	-	-	373,402
Total revenues	<u>1,483,697</u>	<u>1,292,961</u>	<u>74,014</u>	<u>9,779</u>	<u>2,860,451</u>
EXPENDITURES					
Instructional services					
Salaries	615,388	512,923	-	3,070	1,131,381
Employee benefits	95,397	56,130	-	235	151,762
Pension expense	13,715	22,523	-	-	36,238
Purchased services	125,080	138,197	54,748	2,209	320,234
Supplies and materials	37,604	58,831	10,596	-	107,031
Intergovernmental					
Payments to other governmental units	153,865	432,182	-	-	586,047
On-behalf payments	373,402	-	-	-	373,402
Capital outlay	3,499	9,080	15,920	-	28,499
Total expenditures	<u>1,417,950</u>	<u>1,229,866</u>	<u>81,264</u>	<u>5,514</u>	<u>2,734,594</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>65,747</u>	<u>63,095</u>	<u>(7,250)</u>	<u>4,265</u>	<u>125,857</u>
Other Financing Sources (Uses)					
Transfers In	327	1,341	206	29	1,903
Transfers Out	(1,941)	-	-	-	(1,941)
Total Other Financing Sources (Uses)	<u>(1,614)</u>	<u>1,341</u>	<u>206</u>	<u>29</u>	<u>(38)</u>
NET CHANGE IN FUND BALANCES	64,133	64,436	(7,044)	4,294	125,819
FUND BALANCES (DEFICITS) - BEGINNING	<u>212,652</u>	<u>(169,395)</u>	<u>146,333</u>	<u>21,393</u>	<u>210,983</u>
FUND BALANCES (DEFICITS) - ENDING	<u>\$ 276,785</u>	<u>\$ (104,959)</u>	<u>\$ 139,289</u>	<u>\$ 25,687</u>	<u>\$ 336,802</u>

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

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018**

Net change in fund balances		\$ 125,819
<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's fiscal year ends. They are not considered "available" revenues and are deferred inflows of resources in the governmental funds:</p>		
Prior year unavailable revenue	\$ (184,021)	
Current year unavailable revenue	<u>114,408</u>	(69,613)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	25,861	
Depreciation expense	<u>(10,668)</u>	15,193
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.</p>		
Repayment of principal of capital lease payable		5,698
<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>		
Pension expense	143,355	
OPEB expense	<u>(81,104)</u>	<u>62,251</u>
Change in net position of governmental activities		<u>\$ 139,348</u>

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

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Business-Type Activities -		
	Enterprise Funds		
	Nonmajor Proprietary Funds		Total
Paper Bid	Enterprise/ Workshop		
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 8,549	\$ 8,549
Due from other funds	-	20,600	20,600
Accounts receivable	-	867	867
Total current assets	<u>-</u>	<u>30,016</u>	<u>30,016</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Unrestricted	<u>-</u>	<u>30,016</u>	<u>30,016</u>
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 30,016</u>	<u>\$ 30,016</u>

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

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2018**

	Business-Type Activities - Enterprise Funds		
	Nonmajor Proprietary Funds		
	Paper Bid	Enterprise/ Workshop	Total
OPERATING REVENUES			
Charges for services	\$ 110,408	\$ 13,323	\$ 123,731
Total Operating Revenues	<u>110,408</u>	<u>13,323</u>	<u>123,731</u>
OPERATING EXPENSES			
Salaries	-	5,812	5,812
Benefits	-	404	404
Pension	-	316	316
Purchased services	-	3,301	3,301
Supplies and materials	110,408	3,767	114,175
Capital outlay	-	1,053	1,053
Total operating expenses	<u>110,408</u>	<u>14,653</u>	<u>125,061</u>
OPERATING INCOME (LOSS)	<u>-</u>	<u>(1,330)</u>	<u>(1,330)</u>
NONOPERATING REVENUES			
Transfers in	-	38	38
Total nonoperating revenues (expenses)	<u>-</u>	<u>38</u>	<u>38</u>
CHANGE IN NET POSITION	<u>-</u>	<u>(1,292)</u>	<u>(1,292)</u>
NET POSITION - BEGINNING	<u>-</u>	<u>31,308</u>	<u>31,308</u>
NET POSITION - ENDING	<u>\$ -</u>	<u>\$ 30,016</u>	<u>\$ 30,016</u>

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

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Business-Type Activities -		
	Enterprise Funds		
	Nonmajor Proprietary Funds		
	Paper Bid	Enterprise / Workshop	Total
Cash flows from operating activities:			
Receipts from customers	\$ 110,408	\$ 12,456	\$ 122,864
Payments to suppliers for goods & services	(110,408)	(8,058)	(118,466)
Payments to employees	-	(6,532)	(6,532)
Net cash provided by (used for) operating activities	<u>-</u>	<u>(2,134)</u>	<u>(2,134)</u>
Cash flows from noncapital financing activities:			
Cash transfers from other funds	-	38	38
Interfund loans received (made)	-	10,645	10,645
Net cash provided from noncapital financing activities	<u>-</u>	<u>10,683</u>	<u>10,683</u>
Net Operating Income (loss)	-	8,549	8,549
Cash and cash equivalents - beginning of year	-	-	-
Cash and cash equivalents - end of year	<u>\$ -</u>	<u>\$ 8,549</u>	<u>\$ 8,549</u>
Reconciliation of operating income (loss) to net cash from operating activities:			
Operating income (loss)	\$ -	\$ (1,330)	\$ (1,330)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Change in assets and liabilities:			
Increase in accounts receivable	-	(867)	(867)
Decrease in prepaid expense	-	63	63
Net cash provided by (used for) operating activities	<u><u>\$ -</u></u>	<u><u>\$ (2,134)</u></u>	<u><u>\$ (2,134)</u></u>

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

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018**

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 208
Due from other governments	1,643,135
Total assets	\$ 1,643,343
 LIABILITIES	
Due to the primary government	\$ -
Due to other governments	1,643,343
Total liabilities	\$ 1,643,343

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

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Regional Office of Education #21 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

A. Financial Reporting Entity

The ROE operates under the School Code (Articles 5/3 and 5/3A of *Illinois Compiled Statutes*, Chapter 105). The Regional Office of Education #21 encompasses Franklin, Johnson, Massac, and Williamson Counties. The Regional Superintendent of Schools (Regional Superintendent) serves as chief administrative officer of the Regional Office of Education #21 and is elected pursuant to Article 3, *Illinois Compiled Statutes*, Chapter 105.

The Regional Superintendent is charged with the responsibility for township fund lands; registration of the names of applicants for scholarships to State controlled universities; examinations and related duties; visitation of public schools; direction of teachers and school officers; to serve as the official advisor and assistant of school officers and teachers; to conduct teachers' institutes as well as to aid and encourage the formation of other teachers meetings and assist in their management; evaluate the schools in the region; examine evidence of indebtedness; file and keep 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 school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #21 districts; providing township treasurers with a list of district treasurers; inspecting and approving building plans which comply with State law; to perform and report 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 to carry out other related duties required or permitted by law.

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

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Financial Reporting Entity (Continued)

For the period ended June 30, 2018, the Regional Office of Education #21 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 #21. Such activities are reported as a single major fund (Education Fund).

The Regional Office of Education #21 also acts as the administrative agent for the Franklin County Regional Delivery System (a joint agreement). As administrative agent, the Regional Office of Education #21 is responsible for the receipt and distribution of the System's funding, as well as all necessary reporting requirements for the Illinois State Board of Education and other granting agencies.

B. Scope of Reporting Entity

The Regional Office of Education #21's reporting entity includes all related organizations for which they exercise oversight responsibility.

The Regional Office of Education #21 has developed criteria to determine whether outside agencies with activities that benefit the citizens of the region, including districts or joint agreements which serve pupils from numerous regions, should be included in the financial reporting entity. The criteria include, but are not limited to, whether the Regional Office of Education #21 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 #21 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education #21 is not aware of any entity which would exercise such oversight as to result in the Regional Office of Education #21 being considered a component unit of the entity.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Scope of Reporting Entity (Continued)

Based on criteria above, the expenditures paid through the funds of Franklin, Johnson, Massac, and Williamson Counties, for operation of the Regional Office of Education #21, are not included in the reporting entity because it is the county boards that authorize, oversee, and control these expenditures.

C. 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 non-fiduciary activities of the Regional Office of Education #21. The effect of interfund activity has been removed from these statements. Governmental activities are supported by intergovernmental revenues and are reported separate from business-type activities, which rely, to a significant extent, on fees and charges for support.

The Statement of Net Position and the Statement of Activities are presented on an “economic resources” measurement focus prescribed by GASB Statement No. 34. All of the Regional Office of Education #21’s assets and deferred outflows of resources and liabilities and deferred inflows of resources, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

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

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-wide and Fund Financial Statements (Continued)

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

D. Proprietary Fund Financial Statements

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

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and deferred outflows of resources and liabilities and deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position 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, if any, are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses, if any, are reported as non-operating expenses.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Governmental Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual, i.e., when both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Regional Office of Education #21 considers revenues to be available if they are collected within 60 days of the end of the current fiscal 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 other long-term obligations, which are recognized when paid.

F. Measurement Focus and Basis of Accounting

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

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

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Measurement Focus and Basis of Accounting (Continued)

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 #21; therefore, revenues are considered to be earned to the extent of expenditures made under the provisions of the grant. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Under the terms of grant agreements, Regional Office of Education #21 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. It is the Regional Office of Education #21's policy to first apply restricted funds, then unrestricted resources as they are needed. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned if any.

G. Fund Accounting

The Regional Office of Education #21 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 #21 uses governmental, proprietary, and fiduciary funds.

Governmental Funds

Governmental funds are those through which most governmental functions of the Regional Office of Education #21 are typically reported. Reporting for governmental funds 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 and deferred outflows of resources and liabilities and deferred inflows of resources is reported as a fund balance.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Fund Accounting (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 (including deferred outflows of resources), liabilities (including 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 (including deferred outflows of resources), liabilities (including 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 #21 has presented all major funds that met the above qualifications.

The Regional Office of Education #21 reports the following major governmental funds:

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

County Budget – Accounts for monies received from the Franklin, Johnson, Massac, and Williamson County Boards to help support the day to day staffing and expenses of the Regional Office of Education #21.

Education Careers Heightened Opportunity (ECHO) - Used to account for General State Aid monies received for the general operations of the alternative school.

General Operating - Used to accumulate miscellaneous receipts used to support the day to day expenses of the Regional Office of Education #21.

School Facility Occupation Tax Interest Allocation – Used to account for the interest earned on the Franklin and Williamson Counties School Facility Occupation Tax while it is held in the Regional Office of Education #21's accounts before each month's distribution. If the Regional Office of Education #21 has agreements in place with the school districts, the Regional Office of Education #21 may keep the interest earned.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Fund Accounting (Continued)

Governmental Funds (Continued)

Interest Allocation – Accounts for accumulated interest earned on Regional Office of Education #21 funds from the Illinois Funds and local banks and allocated on a monthly basis to funds having cash balances.

Prevention Social Marketing – Accounts for monies received through donations for use in marketing campaigns focused on issues related to student social issues.

General State Aid Safe Schools – Used to account for General State Aid monies received for programs – i.e. S.T.A.R. Quest Academy RSSP – for disruptive students in public schools served by the Regional Office of Education #21 who are eligible for suspension or expulsion.

Juvenile Detention Center – Used to account for Local monies received from school districts to operate the educational program at the Franklin County Juvenile Detention Center.

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

Education – 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:

McKinney-Vento Education for Homeless Children – This grant provides funds for providing information to schools, community members and government entities about the educational rights of and services for programs for homeless students.

Substance Abuse Prevention and Treatment Block Grant – The Regional Office of Education #21 is the administrative agent for the Department of Human Services funded Community Prevention Resources program which supports prevention professionals trained to assist communities and schools with the knowledge and skills for effective alcohol, tobacco, and other drug prevention.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Fund Accounting (Continued)

Governmental Funds (Continued)

Education (Continued)

New Principal Mentoring Program – This program provides for the selection and training of experienced principals to serve as mentors for new principals and for the new principals’ participation in the mentoring program designed for them. Funds flow through the Illinois Principals Association from the Illinois State Board of Education.

Title I System of Support – Grant monies in this fund are used to provide professional development foundational service activities for staff in all schools in the region while also working with Illinois CSI as they provide more focused and priority services to poorer performing schools identified by the State of Illinois.

Title II Teacher Quality Leadership – Grant monies received in this fund from the Illinois State Board of Education are used to facilitate teacher and principal evaluation trainings.

FY17 Partnership for College and Career Success – Funds that provide professional development connecting secondary and postsecondary educational elements for high schools in Franklin, Williamson, Jefferson, and Hamilton counties, as well as Wayne City High School and Rend Lake College.

Title II Teacher Quality ECHO – Monies received from the Illinois State Board of Education assist in recruiting, hiring, and retaining highly qualified teachers. These funds also provide for teacher and paraprofessional training.

State Free Lunch and Breakfast – This program is funded by State monies to provide free breakfast and lunch to eligible needy students enrolled in the Regional Safe Schools Program.

Federal Lunch and Breakfast – This program is funded by federal grants to provide reimbursement of meals through the school lunch and breakfast program and free or reduced-price meals for students enrolled in the Regional Safe Schools Program.

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For the Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Fund Accounting (Continued)

Governmental Funds (Continued)

Education (Continued)

ROE/ISC Operations – Monies received from State sources to help support the administrative costs with quality and effectiveness as they perform identified State functions and services including continuous school improvement programs and services.

Regional Safe Schools – This fund provides alternative placement for those students in a safe school program.

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 students in pursuit of their education development. TAOEP offerings include: identification of at-risk students and dropouts, truancy intervention services, academic intervention and redemption, parental skills development, and network with community agencies and businesses.

Institute Fund – This fund is 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 supporting programs as follows:

Institute – Used to account for examination, registration and renewal fees, and to defray expenses incidental to teacher’s institutes, workshops, and professional meetings.

Technology – Accounts for E-Rate technology reimbursements, as well as the purchase of technology-related supplies and services.

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

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Fund Accounting (Continued)

Governmental Funds (Continued)

Nonmajor Special Revenue Funds (Continued)

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

General Education Development Fund – Accounts for the administration of the General Education Development (GED) Testing Program with revenues from testing and diploma fees used to pay administrative expenses incurred. Illinois law requires the Regional Superintendent of Schools of each county/counties to administer the GED test. The GED tests are given through Pearson VUE, an outside vendor, and are proctored by the Regional Office’s staff in a computer lab located at John A. Logan College in Williamson County. Shawnee College in Ullin is another local Pearson VUE testing center for the southern counties of the Regional Office of Education #21.

Proprietary Funds

Proprietary funds are those in which revenues and expenses related to services provided to organizations inside the Regional Office of Education #21 on a cost reimbursement basis are reported:

Nonmajor Proprietary Funds – The Regional Office of Education #21 reports the following proprietary funds as nonmajor funds:

Paper Bid – This program is used to purchase paper in bulk for the schools in order to reduce their costs.

Enterprise/Workshop – Used to account for revenues received from workshops held by the Regional Office of Education #21.

Fiduciary Funds

Agency Funds are used to account for assets held by the Regional Office of Education #21 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:

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Fund Accounting (Continued)

Fiduciary Funds (Continued)

School Facility Occupation Tax – The Regional Office receives proceeds generated through the school facility occupation tax. Within thirty days, the Regional Superintendent must disburse those proceeds that it receives that are collected by the Illinois Department of Revenue to each school district that has territory located in the county in which the tax was collected. The proceeds must be disbursed on an enrollment basis and allocated based upon the number of each school district’s resident pupils that reside within the county collecting the tax divided by the total number of students for all school districts within the county.

Franklin County Regional Delivery System (Joint Agreement) – The Franklin County Regional Delivery System consists of six Franklin County high schools whose students generate vocational credits which are reimbursed through CTEI and Perkins grants. The Systems’ governing board, referred to as the Board of Control, consists of the six superintendents of the county high schools and the Regional Superintendent of Schools. The Board hires a System director, special populations coordinator, and programs of study/Partnerships for College and Career Success coordinator who assist the System director in compliance with the goals of the grants with regards to improvement of instruction and maintenance of high-quality programming. Some funds are earmarked for elementary schools in the county to advance their efforts in early career exploration.

H. Governmental Fund Balances

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

Nonspendable Fund Balance – The portion of a governmental fund's fund balance that is not available to be spent, either short term or long term, in either form or through legal restrictions. The nonspendable fund balance reported is nonspendable in form for prepaid expenses. The following accounts have nonspendable fund balance: ECHO, General Operating, General State Aid Safe Schools, Title I System of Support, and Technology.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Governmental Fund Balances (Continued)

Restricted Fund Balance – The portion of a governmental fund's fund balance that is subject to external enforceable legal restrictions. The following Education fund balances are restricted by grant agreements or contracts: Substance Abuse Prevention and Treatment Block Grant, New Principal Mentoring Program, State Free Lunch and Breakfast, Federal Lunch and Breakfast, and ROE/ISC Operations. The following Major Special Revenue Fund is restricted by Illinois Statute: Institute. The following Nonmajor Special Revenue Funds are restricted by Illinois Statute: Bus Driver Permit and General Education Development.

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 #21 has no committed fund balances.

Assigned Fund Balance – The portion of a governmental fund's fund balance for which an intended use of resources has been denoted. The accounts presented with assigned fund balance are specified for a particular purpose by the Regional Superintendent. The following General Fund accounts had an assigned fund balance: County Budget and Juvenile Detention Center.

Unassigned Fund Balance – Available expendable financial resources in a governmental fund that are not designated for a specified purpose. The following General Fund accounts have unassigned fund balances (deficits): ECHO, General Operating, School Facility Occupation Tax Interest Allocation, Interest Allocation, Prevention Social Marketing, and General State Aid Safe Schools. The following Education Fund accounts have an unassigned fund deficit: McKinney Education for Homeless Children, Title I System of Support.

I. Net Position

In the government-wide financial statements net position is displayed in three components:

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

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Net Position (Continued)

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

Unrestricted net position – The net amount of 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.

J. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit. The Regional Office of Education #21 considers all liquid investments, including certificates of deposit, to be cash equivalents.

K. Interfund Receivables and Payables

The recordings of due from and due to other funds are a result of various borrowings between funds during the year.

L. Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more and estimated useful lives of greater than one year are recorded at historical cost or estimated historical cost. Contributed assets are recorded at acquisition value. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

Equipment and Furniture	3 – 10 years
Building Improvements	10 – 15 years
Building	40 years

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Postemployment Benefits Other Than Pension (OPEB)

For the purposes of measuring the Regional Office of Education #21's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Regional Office of Education #21's OPEB Plan and additions to/deductions from the Regional Office of Education #21's fiduciary net position have been determined on the same basis as they are reported by the Regional Office of Education #21's Plan. For this purpose, the Regional Office of Education #21's Plan recognizes benefit payments when due and payable in accordance with the benefit terms. The Regional Office of Education #21's OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB and OPEB expense for the ROE's single-employer defined benefit OPEB plan have been actuarially determined using the Alternative Measurement Method.

N. Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Estimates

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

P. Compensated Absences

Compensated absences do not vest or accumulate and are recorded as expenditures when paid.

Q. Budget Information

The Regional Office of Education #21 acts as the administrative agent for certain grant programs that are accounted for within the Education Fund. These programs have separate budgets that are required to be reported to the Illinois State Board of Education and Illinois Department of Human Services, however, none of the annual budgets have been legally adopted, nor are they required to do so. Certain programs within the Special Revenue Fund do not have separate budgets. Comparisons of budgeted and actual results for the following programs are presented as supplementary information: McKinney Education for Homeless Children, Substance Abuse Prevention and Treatment Block Grant, Title I System of Support, Title II Teacher Quality – Leadership, Title II Teacher Quality – ECHO, ROE/ISC Operations, Regional Safe Schools, and Truants Alternative/Optional Education.

R. New Accounting Pronouncements

Effective for the year ending June 30, 2018, the Regional Office of Education #21 adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 81, *Irrevocable Split-Interest Agreements*; GASB Statement No. 85, *Omnibus 2017*, and GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The implementation of GASB Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, expenses, and expenditures and identifies the note disclosure and RSI reporting requirements. The statement requires the Regional office of Education #21 to report a liability on the face of the financial statements for the OPEB it provides and identifies the methods and assumptions that are required to be used to project the benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. The implementation of GASB Statement No. 81, GASB Statement No. 85, and GASB Statement No. 86 had no significant impact on the financial statements of the Regional Office of Education #21.

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NOTE 2: CASH AND CASH EQUIVALENTS

The *Illinois Compiled Statutes* authorize the Regional Office of Education #21 to make deposits and invest in U.S. Government, State of Illinois and municipal securities; certificates of deposit or time savings deposits insured by the FDIC; mortgage notes, bonds, or debentures issued by the Federal Housing Administration; bonds and other obligations of the Federal National Mortgage Association; commercial paper rated within the three highest classifications by at least two standard rating services; credit union shares; and the Illinois Public Treasurer's Investment Pool.

At June 30, 2018, the carrying amount of the Regional Office of Education #21's government-wide and fiduciary fund deposits were \$309,418 and \$208, respectively and the bank balances were \$433,188 and \$58,705, respectively.

At June 30, 2018, \$250,000 of the Regional Office of Education #21's cash deposits were insured by the Federal Deposit Insurance Corporation and \$241,893 was collateralized by pledged collateral not held in the Regional Office of Education #21's name.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the Regional Office of Education #21's deposits may not be returned to it. The Regional Office of Education #21 does not have a formal investment policy to guard against custodial credit risk but follows the Public Funds Investment Act (30 ILCS 235/2 and 6) and Section 8-7 of the School Code.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Regional Office of Education #21 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Regional Office of Education #21 is allowed to invest in securities as authorized by Sections 2 and 6 of the Public Funds Investment Act (30 ILCS 235/2 and 6), and Section 8-7 of the School Code. The Regional Office of Education #21 has no investment policy that would further limit its investment choices. As of June 30, 2018, the Regional Office of Education #21 was in compliance with these guidelines.

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NOTE 3: DEFINED BENEFIT PENSION PLAN

IMRF Plan Description

The Regional Office of Education #21'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 #21's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of an agent multiple-employer public pension plan. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

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 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 credited 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.

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NOTE 3: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

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

- 3% of the original pension amount, or
- ½ of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms

As of December 31, 2017, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	40
Inactive plan members entitled to but not yet receiving benefits	30
Active members	<u>15</u>
Total	<u><u>85</u></u>

Contributions

As set by statute, the Regional Office of Education #21'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 #21's annual contribution rate for calendar year 2017 was 4.68%. For the fiscal year ended June 30, 2018, the Regional Office of Education contributed \$30,762 to the plan. The Regional Office of Education #21 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.

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NOTE 3: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability

The Regional Office of Education #21's net pension liability was measured as of December 31, 2017. 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, 2017:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.50%.
- **Salary Increases** were expected to be 3.39% to 14.25%, 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 2017 valuation according to an experience study from years 2014 to 2016.
- For **Non-Disabled Retirees**, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates 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-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for nondisabled lives.
- For **Active Members**, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

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NOTE 3: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

- 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 weighing 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, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	37%	6.85%
International equities	18%	6.75%
Fixed income	28%	3.00%
Real estate	9%	5.75%
Alternatives	7%	
Private Equity		7.35%
Hedge Funds		5.05%
Commodities		2.65%
Cash equivalents	1%	2.25%
Total	<u>100%</u>	

Single Discount Rate

A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flows 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 contributions rates and the member rate. The Single Discount Rate reflects:

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NOTE 3: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Single Discount Rate (Continued)

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 3.31%, and the resulting single discount rate is 7.50%

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
Balances at January 1, 2017	\$ 4,282,158	\$ 4,248,846	\$ 33,312
Charges for the year:			
Service cost	51,027	-	51,027
Interest on the total pension liability	313,561	-	313,561
Difference between expected and actual experience	(48,249)	-	(48,249)
Changes of assumptions	(121,896)	-	(121,896)
Contributions – employer	-	26,030	(26,030)
Contributions – employee	-	25,030	(25,030)
Net investment income	-	642,526	(642,526)
Benefit payments, including refunds	(253,714)	(253,714)	-
Other (net transfer)	-	(3,759)	3,759
Net Changes	<u>(59,271)</u>	<u>436,113</u>	<u>(495,384)</u>
Balances at December 31, 2017	<u>\$ 4,222,887</u>	<u>\$ 4,684,959</u>	<u>\$ (462,072)</u>

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NOTE 3: DEFINED BENEFIT PENSION PLAN (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 using a Single Discount Rate that is 1% point lower or 1% point higher.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability (asset)	\$ 28,451	\$ (462,072)	\$ (847,053)

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

For the year ended June 30, 2018, the Regional Office of Education #21 recognized pension income of \$319,084. At June 30, 2018, the Regional Office of Education #21 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
Difference between expected and actual experience	\$ -	\$ 22,781
Changes in assumption	-	57,554
Net difference between projected and actual earnings on pension plan investments	-	1,708,484
Contributions made after measurement date	17,882	-
TOTAL	\$ 17,882	\$ 1,788,819

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NOTE 3: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

\$17,882 reported as deferred outflows of resources related to pensions resulting from Regional Office of Education #21 contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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,	
2018	\$ (606,358)
2019	(534,242)
2020	(580,926)
2021	(67,293)
TOTAL	\$ (1,788,819)

NOTE 4: TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

The Regional Office of Education #21 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the City of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

TRS issues a publicly available financial report that can be obtained at <https://www.trsil.org/financial/cafrs/fy2017>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 678-3675, option 2.

Benefits Provided

TRS provides retirement, disability, and death benefits. Tier 1 members have TRS or reciprocal system service prior to January 1, 2011. Tier 1 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.

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NOTE 4: TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
(CONTINUED)

Benefits Provided (Continued)

Tier 2 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 2 are identical to those of Tier 1. Death benefits are payable under a formula that is different from Tier 1.

Essentially all Tier 1 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 2 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.

Public Act 100-0023, enacted in 2017, creates an optional Tier 3 hybrid retirement plan, but it has not yet gone into effect. The earliest possible implementation date is July 1, 2019.

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, 2017, was 9.0 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 #21.

On behalf contributions to TRS. The state of Illinois makes employer pension contributions on behalf of the Regional Office of Education #21. For the year ended June 30, 2018, state of Illinois contributions recognized by the Regional Office of Education #21 were based on the state's proportionate share of the collective net pension liability associated with the Regional Office of Education #21, and the Regional Office of Education #21 recognized revenue and expenditures of \$634,310 in pension contributions from the State of Illinois.

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NOTE 4: TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
(CONTINUED)

Contributions (Continued)

2.2 formula contributions. Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2018 were \$3,308 and are deferred because they were paid after the June 30, 2017 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 #21, there is a statutory requirement for the Regional Office of Education #21 to pay an employer pension contribution from those funds. Under Public Act 100-0340, the federal and special trust fund contribution rate is the total employer normal cost beginning with the year ended June 30, 2018.

Previously, employer contributions for employees paid from federal and special trust funds were at the same rate as the state contribution rate to TRS and were much higher.

For the year ended June 30, 2018, the employer pension contribution was 10.10 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2018, salaries totaling \$12,710 were paid from federal and special trust funds that required employer contributions of \$1,284. These contributions are deferred because they were paid after the June 30, 2017 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 #21 is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the program that ended on June 30, 2017 is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2018, the Regional Office of Education #21 paid no employer contributions for retirements that occurred before July 1, 2017.

The Regional Office of Education #21 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, 2018, the Regional Office of Education #21 did not make any employer contributions to TRS due on salary increases in excess of 6 percent or for sick leave days granted in excess of the normal annual allotment.

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NOTE 4: TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
(CONTINUED)

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

At June 30, 2018, the Regional Office of Education #21 reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for State pension support provided to the employer. The State's support and total are for disclosure purposes only. The amount recognized by the employer as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the employer were as follows:

Employer's proportionate share of the net pension liability	\$ 1,369,504
State's proportionate share of the net pension liability associated with the employer	<u>6,445,240</u>
Total	<u>\$ 7,814,744</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and rolled forward to June 30, 2017. The Regional Office of Education #21's proportion of the net pension liability was based on the Regional Office of Education #21's share of contributions to TRS for the measurement year ended June 30, 2017, relative to the contributions of all participating TRS employers and the State during that period. At June 30, 2017, the Regional Office of Education #21's proportion was 0.0017925879 percent, which was a decrease of 0.0002519851 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Regional Office of Education #21 recognized pension expense of \$634,310 and revenue of \$634,310 for support provided by the state. For the year ended June 30, 2018, the Regional Office of Education #21 recognized pension expense of \$211,967. At June 30, 2018, the Regional Office of Education #21 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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NOTE 4: TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
(CONTINUED)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 14,874	\$ 632
Net difference between projected and actual earnings on pension plan investment	939	-
Changes of assumptions	91,405	39,353
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,061,570	1,147,332
Employer contributions subsequent to the measurement date	<u>4,734</u>	<u>-</u>
Total	<u>\$ 1,173,522</u>	<u>\$ 1,187,317</u>

\$4,734 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2019	\$ 100,379
2020	336
2021	(61,591)
2022	(52,339)
2023	<u>(5,314)</u>
Total	<u>\$ (18,529)</u>

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NOTE 4: TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
(CONTINUED)

Actuarial assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	Varies by amount of service credit
Investment rate of return	7.00 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 same assumptions were used in the June 30, 2016 actuarial valuation.

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	14.4%	6.94%
U.S. equities small/mid cap	3.6	8.09
International equities developed	14.4	7.46
Emerging market equities	3.6	10.15
U.S. bonds core	10.7	2.44
International debt developed	5.3	1.70
Real Estate	15.0	5.44
Commodities (real return)	11.0	4.28
Hedge funds (absolute return)	8.0	4.16
Private equity	14.0	10.63
Total	100%	

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NOTE 4: TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
(CONTINUED)

Discount rate

At June 30, 2017, the discount rate used to measure the total pension liability was 7.00 percent, which was a change from the June 30, 2016 rate of 6.83 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, 2017 was projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier 1's liability is partially-funded by Tier 2 members, as the Tier 2 member contribution is higher than the cost of Tier 2 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. All projected future payments were covered, so the long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

At June 30, 2016, the discount rate used to measure the total pension liability was 6.83 percent. The discount rate was lower than the actuarially-assumed rate of return on investments that year because TRS's fiduciary net position and the subsidy provided by Tier 2 were not sufficient to cover all projected benefit payments.

Sensitivity of the Regional Office of Education #21's proportionate share of the net pension liability to changes in the discount rate

The following presents the Regional Office of Education #21's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Regional Office of Education #21's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Regional Office of Education #21's proportionate share of the net pension liability	\$ 1,682,614	\$ 1,369,504	\$ 1,113,040

TRS fiduciary net position

Detailed information about the TRS's fiduciary net position as of June 30, 2017 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

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NOTE 5: TEACHERS' HEALTH INSURANCE SECURITY FUND

THIS Plan Description

The Regional Office of Education #21 participates in the Teachers' Health Insurance Security (THIS) fund. The THIS fund is a non-appropriated trust fund held outside the State Treasury, with the State Treasurer as custodian. Additions deposited into the Trust are for the sole purpose of providing the health benefits to retirees, as established under the plan, and associated administrative costs. The THIS fund is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers retired employees of participating employers throughout the State of Illinois, excluding the Chicago Public School System. THIS health coverage includes provisions for medical, prescription, and behavioral health benefits, but does not provide vision, dental, or life insurance benefits. Annuitants may participate in the State administered Preferred Provider Organization plan or choose from several managed care options. As a result of the Governor's Executive Order 12-01, the responsibilities in relation to THIS were transferred to the Department of Central Management Services (Department) as of July 1, 2013. The Department administers the plan with the cooperation of the Teachers' Retirement System (TRS).

Benefits Provided

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provision of the THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The plan is administered by Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 required all active contributors to TRS who are not employees of the State to make a contribution to the THIS Fund. A percentage of employer required contributions in the future will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

On-behalf contributions to the THIS Fund

The State of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office of Education #21. For the year ended June 30, 2018, State of Illinois contributions recognized by the Regional Office of Education #21 were based on the State's proportionate share of the collective net OPEB liability associated with the Regional Office of Education #21, and recognized revenue and expenditures of \$90,801 in OPEB contributions from the State of Illinois.

Employer Contributions to the THIS Fund

The Regional Office of Education #21 also makes contributions to the THIS Fund. The Employer THIS Fund contribution was 0.88 percent during the year ended June 30, 2018, and 0.84 and 0.80 during the years ended June 30, 2017 and 2016, respectively. For the year ended June 30, 2018, the Regional Office of Education #21 paid \$4,950 to the THIS Fund, which was 100 percent of the required contribution. For the years ended June 30, 2017 and 2016, the Regional Office of Education #21 paid \$7,256 and \$6,641 to the THIS Fund, respectively, which was 100 percent of the required contribution.

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NOTE 5: TEACHERS' HEALTH INSURANCE SECURITY FUND (CONTINUED)

Further information on the THIS Fund

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

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.75%
Salary increases	Depends on service and ranges from 9.25% at 1 year of service to 3.25% at 20 or more years of service. Salary increase includes a 3.25% wage inflation assumption
Investment rate of return	0%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.00% and 9.00% for non-Medicare costs and post-Medicare costs, respectively, and gradually decreases to an ultimate trend of 4.50%. Additional trend rate of 0.59% is added to non-Medicare costs on and after 2020 to account for the Excise Tax.

Mortality rates for retirement and beneficiary annuitants were based on the RP-2014 White Collar Annuitant Mortality Table, adjusted for TRS experience. For disabled annuitants, mortality rates were based on the RP-Disabled Annuitant table. Mortality rates for pre-retirement were based on the RP-2014 White Collar Table. All tables reflect future mortality improvements using Projection Scale MP-2014.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2014.

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NOTE 5: TEACHERS' HEALTH INSURANCE SECURITY FUND (CONTINUED)

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

Since the THIS fund is financed on a pay-as-you-go basis, the sponsor has selected a discount rate consistent with the 20-year general obligation bond index described above. The discount rates are 2.85 percent as of June 30, 2016, and 3.56 percent as of June 30, 2017.

Sensitivity of the employer's proportionate share of the collective net OPEB liability to changes in the discount rate

The following presents the Regional Office of Education #21's proportionate share of the collective net OPEB liability, as well as what the Regional Office of Education #21's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease <u>(2.56%)</u>	Current Discount Rate <u>(3.56%)</u>	1% Increase <u>(4.56%)</u>
Employer's proportionate share of the collective net OPEB liability	\$ 1,169,282	\$ 974,453	\$ 818,474

Sensitivity of the employer's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates

The following table shows the Regional Office of Education #21's net OPEB liability as of June 30, 2017, using current trend rates and sensitivity trend rates that are either 1-percentage-point higher or lower. The key trend rates are 8.00% in 2018 decreasing to an ultimate trend rate of 5.09% in 2025, for non-Medicare coverage, and 9.00% in 2018 decreasing to an ultimate trend rate of 4.50% in 2027 for Medicare coverage.

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NOTE 5: TEACHERS' HEALTH INSURANCE SECURITY FUND (CONTINUED)

Sensitivity of the employer's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates (Continued)

	<u>1% Decrease^a</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase^b</u>
Employer's proportionate share of the collective net OPEB liability	\$ 786,446	\$ 974,453	\$ 1,244,192

^a One percentage point decrease in healthcare trend rates are 7.00% in 2018 decreasing to an ultimate rate of 4.09% in 2025 for non-Medicare coverage, and 8.00% in 2018 decreasing to an ultimate trend rate of 3.50% in 2027 for Medicare coverage.

^b One percentage point increase in healthcare trend rates are 9.00% in 2018 decreasing to an ultimate trend rate of 6.09% in 2025, for non-Medicare coverage, and 10.00% in 2018 decreasing to an ultimate trend rate of 5.50% in 2027 for Medicare coverage.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the Regional Office of Education #21 reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the Regional Office of Education #21. The amount recognized by the Regional Office of Education #21 as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Regional Office of Education #21 were as follow:

Employer's proportionate share of the net OPEB liability	\$ 974,453
State's proportionate share of the net OPEB liability associated with the employer	1,279,618
Total	<u>\$ 2,254,071</u>

The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2016 and was rolled forward to the June 30, 2017 measurement date. The Regional Office of Education #21's proportion of the collective net OPEB liability was based on a projection of the Regional Office of Education #21's long-term share of contributions to the OPEB plan relative to the projected contributions of the Regional Office of Education #21, actuarially determined. At June 30, 2017, the Regional Office of Education #21's proportion was 0.003755 percent, which was an increase of 0.000191 from its proportion measured as of June 30, 2016 (0.003564 percent). The State's support and total are for disclosure purposes only.

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NOTE 5: TEACHERS' HEALTH INSURANCE SECURITY FUND (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the year ending June 30, 2018, the Regional Office of Education #21 recognized OPEB expense of \$90,801 and revenue of \$90,801 for support provided by the State. For the year ending June 30, 2018, the Regional Office of Education #21 recognized OPEB expense of \$79,302. At June 30, 2018, the Regional Office of Education #21 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 552
Changes of assumptions	-	116,022
Net difference between projected and actual earnings on OPEB plan investments	-	11
Changes in proportion and differences between employer contributions and proportionate share of contributions	44,727	-
Employer contributions subsequent to the measurement date	<u>4,950</u>	<u>-</u>
Total Deferred Amounts Related to OPEB	<u>\$ 49,677</u>	<u>\$ 116,585</u>

\$4,950 reported as deferred outflows of resources related to OPEB resulting from Regional Office of Education #21 contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Regional Office of Education #21's OPEB expense as follows:

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NOTE 5: TEACHERS' HEALTH INSURANCE SECURITY FUND (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Year Ending June 30,	Net Deferred Outflows of Resources
2019	\$ (11,039)
2020	(11,039)
2021	(11,039)
2022	(11,039)
2023	(11,036)
2024	(11,036)
2025	(5,630)
Thereafter	-
Total	\$ (71,858)

THIS Fiduciary Net Position

Detailed information about the THIS Fund fiduciary net position as of June 30, 2017, is available in the separately issued THIS Financial Report.

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE

The Regional Office of Education #21 provides a single-employer defined benefit postemployment healthcare plan to retirees who participate in the IMRF retirement plan. This plan extends the same health benefits to annuitants as to active employees in the IMRF plan. The Governmental Accounting Standards Board (GASB) issued Statements No.'s 74 and 75 that established generally accepted accounting principles for the annual financial statements for postemployment benefit plans other than pension plans. The required information is as follows:

Eligibility Provisions

Full-Time Employees – IMRF

- Tier 1 IMRF full-time Regional Office of Education employees age 55 with at least 8 years of service are covered
- Tier II IMRF full-time Regional Office of Education employees age 62 with at least 10 years of service are covered

Full-Time Employees – TRS

TRS employees are not eligible to stay on Regional Office of Education coverage upon retirement

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NOTE 6: OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE
(CONTINUED)

Benefits Provided

The Regional Office of Education #21 provides continued health insurance coverage at the blended employer rate to all eligible Regional Office of Education #21 retirees in accordance with Illinois Compiled Statutes, which creates an implicit subsidy of retiree health insurance. The Regional Office of Education #21 offered the G512 PPO Blue PPO Gold 011 Plan prior to January 1, 2018 and offers the G543 PPO Blue PPO Gold 114 Plan as of January 1, 2018 to IMRF retirees. Retirees pay the full cost of coverage. Coverage continues until Medicare eligibility is reached. Dependent coverage ends at the same time as that for the retiree. If the retiree attains age 65 (eligible for Medicare) prior to the spouse, the spouse may continue to elect coverage through the Regional Office of Education #21 until the spouse attains age 65.

Membership

At June 30, 2018, membership consisted of:

Inactive employees currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>15</u>
 Total	 <u>15</u>

Funding Policy and Contributions

There is no funding policy that exists for the postretirement plan at this time, as the total OPEB liabilities are currently an unfunded obligation. The employer contributions and benefit payments are related to the increase in active premiums due to the presence of retirees in the determination of blended retiree/active premiums. However, as there are no retirees currently participating in the Regional Office of Education #21 insurance and no active employees are eligible to retire in the current year, the employer contributions and benefit payments are \$0.

Net OPEB Liability

The total OPEB liability for the current fiscal year has been developed based on the July 1, 2017 actuarial valuation date and adjusted to the June 30, 2018 measurement date based on procedures that confirm to the Alternative Measurement Method and generally accepted actuarial principles and practices.

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NOTE 6: OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE
(CONTINUED)

Actuarial Assumptions

The following are the methods and assumptions used to determine the total OPEB liability at June 30, 2018.

Actuarial cost method	Entry-age normal
Expected Rate of Return on Assets Assumptions	Not applicable
Salary increases	2.25%
Discount rate	3.87%
High Quality 20 Year Tax-Exempt G.O. Bond Rate	3.87%
Healthcare cost trend rates	Starts at 7.70%, gradually decreasing to ultimate trend of 5.00% for PPO both Pre-65 and Post-65
Retiree Contribution Rates	Same as Healthcare Trend Rates
Asset valuation method	Market Value
Annual Blended Premiums	Premiums charged for coverage for retiree and spouse under age 65 are \$7,545. This is not applicable to retiree and spouse once they reach age 65.

Mortality rates were based on the RP-2014 Sex Distinct Raw Rates, with blue-collar adjustments improved generationally using MP-2016 improvement rates.

The retirement rates disclosed in the IMRF December 31, 2017 Actuarial Valuation were used to estimate the single retirement ages pursuant to the Alternative Measurement Method for GASB 74/75.

For any active participant who will not meet the service requirement necessary to retire at the single retirement ages, it is assumed they have prior service with a different employer and therefore will be eligible to retire. In the current valuation, there are 4 participants impacted by this assumption.

The mortality rates were used to estimate the single age at death per participant pursuant to the Alternative Measurement Method for GASB 74/75.

The probability of working to the assumed retirement age was determined based on the underlying termination rates pursuant to the Alternative Measurement method for GASB 74/75.

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For the Year Ended June 30, 2018**

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE
(CONTINUED)

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
BALANCE AT JULY 1, 2017	\$ <u>61,552</u>
Changes for the period	
Service cost	4,370
Interest	2,382
Difference between expected and actual experience	-
Changes in benefit terms	-
Changes in assumptions	-
Benefit payments	-
Net changes	6,752
BALANCE AT JUNE 30, 2018	\$ <u>68,304</u>

Discount Rate

The discount rate used in the determination of the total OPEB liability is based on a combination of the expected long-term rate of return on plan investments and the municipal bond rate. If the employer does not have a trust dedicated exclusively to the payment of the OPEB benefits, as is the case with the Regional Office of Education #21, then only the municipal bond rate is used in determining the total OPEB liability.

If the postretirement plan is funded, cash flows projections are used to determine the extent which the plan's future net position will be able to cover future benefit payments. To the extent future benefit payments are covered by the plan's projected net position, the expected rate of return on plan investments is used to determine the portion of the net OPEB liability associated with those payments. To the extent future benefit payments are not covered by the plan's projected net position, the municipal bond rate is used to determine the portion of the net OPEB liability associated with those payments.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE
(CONTINUED)

Discount Rate (Continued)

Projected benefit payments are determined during the valuation process based on the assumptions. The expected contributions are based on the funding policy of the plan.

Municipal Bond Rate

The municipal bond rate assumption is based on The Bond Buyer 20-Bond GO Index. The rate is the June 28, 2018 rate. The 20-Bond GO Index is based on an average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody’s Aa2 and Standard & Poor’s AA.

The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody’s Investors Service’s Aa2 rating and Standard & Poor’s Corp’s AA.

The indexes represent theoretical yields rather than actual price or yield quotations. Municipal bond traders are asked to estimate what a current-coupon bond for each issuer in the indexes would yield if the bond was sold at par value. The indexes are simple averages of the average estimated yield of the bonds.

Sensitivity of the Discount Rate

The following presents the Regional Office of Education #21’s total OPEB liability calculated using a discount rate of 3.87%, as well as what the Regional Office of Education #21’s total OPEB liability would be if it were calculated using a single discount rate that is one percentage point higher (4.87%) or one percentage point lower (2.87%) than the current discount rate.

	1% Decrease	Current	1% Increase
	<u>(2.87%)</u>	<u>(3.87%)</u>	<u>(4.87%)</u>
Employer’s net OPEB liability	\$ 81,147	\$ 68,304	\$ 57,852

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE
(CONTINUED)

Sensitivity of the Healthcare Trend Rates

The following presents the Regional Office of Education #21's total OPEB liability calculated using the healthcare cost trend rates as well as what the Regional Office of Education #21's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or one percentage point lower than the current healthcare cost trend rates. The key trend rates are 7.70% in 2018 decreasing to an ultimate trend rate of 5.00% in 2027 for both non-Medicare coverage and post-Medicare coverage

	1% Decrease (Varies)	Current Discount Rate (Varies)	1% Increase (Varies)
Employer's Net OPEB liability	\$ 56,451	\$ 68,304	\$ 82,899

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ending June 30, 2018, the Regional Office of Education #21 recognized OPEB expense of \$6,752. At June 30, 2018 the Regional Office of Education #21 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
TOTAL	\$ -	\$ -

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE
(CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Contributions subsequent to the measurement date may be recognized as a reduction to the net OPEB liability. The amount is not known as of the date of this report. Subsequent to the measurement date, the following amounts will be recognized in OPEB expense in the upcoming years:

Period ending June 30,		
2019	\$	-
2020		-
2021		-
2022		-
TOTAL	\$	<u> -</u>

NOTE 7: INTERFUND RECEIVABLES AND PAYABLES

Interfund due to/due from other fund balances at June 30, 2018 consist of the following individual due to/due from other funds in the governmental funds Balance Sheet and the proprietary funds Statement of Net Position. Balances of the same fund type were eliminated in the government-wide Statement of Net Position. Interfund loans were made for the purpose of providing cash to funds that were awaiting reimbursements from grantors.

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Education Fund	\$ 135,000	\$ -
Education Fund:		
General Fund	-	135,000
Institute Fund	-	20,001
Nonmajor Proprietary Funds	-	20,600
Total General Fund	<u>-</u>	<u>175,601</u>
Institute Fund:		
Education Fund	<u>20,001</u>	<u>-</u>
Nonmajor Proprietary Funds:		
Education Fund	<u>20,600</u>	<u>-</u>
Total	<u>\$ 175,601</u>	<u>\$ 175,601</u>

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 8: DUE TO/DUE FROM OTHER GOVERNMENTAL UNITS

The Regional Office of Education #21's General Fund, Education Fund, Special Revenue Funds, and Agency Fund, have funds due to and due from various other governmental units which consist of the following:

Due From Other Governments:

General Fund	
Local Governments	\$ 13,645
Education Fund	
Illinois State Board of Education	227,531
Illinois Department of Human Services	61,502
Agency Fund	
Other Local Governments	<u>1,643,135</u>
Total	<u>\$ 1,945,813</u>

Due To Other Governments:

Education Fund	
Local Governments	\$ 102,527
Agency Fund	
Other Local Governments	<u>1,643,343</u>
Total	<u>\$ 1,745,870</u>

NOTE 9: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

The governmental funds report a separate section for deferred inflows of resources. A deferred inflow of resources reflects an increase in net position that applies to a future period. Grant revenues received more than 60 days after the end of the year, which are thus not available under the modified accrual basis of accounting, are reported as deferred inflows of resources in the governmental funds balance sheet.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 10: CAPITAL ASSETS

Governmental Activities

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2018</u>
Total Capital Assets	\$ 515,194	\$ 25,861	\$ 44,710	\$ 496,345
Less: Accumulated Depreciation	<u>480,743</u>	<u>10,668</u>	<u>44,710</u>	<u>446,701</u>
Total capital assets, net of accumulated depreciation	<u>\$ 34,451</u>	<u>\$ 15,193</u>	<u>\$ -</u>	<u>\$ 49,644</u>

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense of \$10,668 was charged to the governmental activities instructional services function on the government-wide Statement of Activities for the year ended June 30, 2018.

NOTE 11: LONG-TERM DEBT

The following is a summary of changes in long-term liabilities (assets) for the year ended June 30, 2018:

	<u>June 30,</u> <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2018</u>	<u>Due within</u> <u>one year</u>
Governmental Funds:					
Net pension liability (asset) IMRF	\$ 33,312	\$ -	\$ 495,384	\$(462,072)	\$ -
Net pension liability TRS	1,591,140	-	221,636	1,369,504	-
Net OPEB liability	1,035,817	6,940	-	1,042,757	-
Capital lease payable	<u>17,093</u>	<u>-</u>	<u>5,698</u>	<u>11,395</u>	<u>5,697</u>
Total	<u>\$2,677,362</u>	<u>\$ 6,940</u>	<u>\$ 722,718</u>	<u>\$1,961,584</u>	<u>\$ 5,697</u>

The Regional Office of Education #21 has entered into a lease agreement as lessee for financing the acquisition of a copier. The lease agreement qualifies as a capital lease for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the capital assets account.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 11: LONG-TERM DEBT (CONTINUED)

The present value of future minimum lease payments and total minimum annual lease payments for capital leases recorded in the government-wide statement of net position at June 30, 2018 were as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 5,698
2020	<u>5,697</u>
Total minimum lease payments	11,395
Less: amount representing interest	<u>-</u>
Present value of minimum lease payments	<u>\$ 11,395</u>

Assets under the capital lease amounted to \$18,518, and the related accumulated depreciation amounted to \$4,938.

NOTE 12: RISK MANAGEMENT

The Regional Office of Education #21 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 #21 has purchased commercial insurance to cover these risks. During the year ended June 30, 2018, there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

NOTE 13: ON-BEHALF PAYMENTS

The State of Illinois pays the following salaries and benefits on behalf of the Regional Office of Education #21:

Regional Superintendent salary	\$ 115,176
Regional Superintendent benefits (Includes State paid insurance)	31,378
Assistant Regional Superintendent salary	103,656
Assistant Regional Superintendent benefits (Includes State paid insurance)	<u>18,677</u>
Total	<u>\$ 268,887</u>

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

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 13: ON-BEHALF PAYMENTS (CONTINUED)

Regional Office of Education #21 also recorded \$634,310 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. The Regional Office of Education #21 recorded \$90,801 in revenue and expenses as on behalf payments from the State for the Regional Office’s share of the State’s Teachers’ Health Insurance Security (THIS) OPEB expense in the Statement of Activities. In addition, the Regional Office of Education #21 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	\$	268,887
ROE #21’s share of TRS pension expense		634,310
ROE #21’s share of THIS OPEB expense		<u>90,801</u>
Total	\$	<u>993,998</u>

Franklin and Williamson Counties provide the Regional Office of Education #21 with staff on behalf of the Regional Office of Education #21. These amounts have been recorded in the accompanying governmental fund financial statements as local revenue and expenditures. The expenditures paid on the Regional Office of Education #21’s behalf for the year ended June 30, 2018, were as follows:

Salaries	\$	74,345
Benefits		<u>30,170</u>
Total	\$	<u>104,515</u>

NOTE 14: OPERATING LEASES

During the fiscal year ended June 30, 2010, the Regional Office of Education #21 entered into a lease agreement for office space for their Project ECHO and S.T.A.R location at 17428 Route 37 Johnston City, Illinois. The lease was renewed on July 23, 2014 and reflected monthly payments of \$3,500 beginning July 1, 2014 and ending June 30, 2015. The lease automatically renewed for an additional four years at \$4,000 a month from July 1, 2015 through June 30, 2019. Lease expense for fiscal year 2018 was \$48,000.

The Regional Office of Education #21’s future minimum lease payments based on the lease agreement detailed above is \$48,000 for the fiscal year ending June 30, 2019.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 15: INTERFUND TRANSFERS

Interfund transfers at June 30, 2018 consisted of the following individual transfers in the fund statements. The transfer balances between governmental funds were eliminated in the government-wide Statement of Activities; however, the transfers between the governmental funds and the business-type funds were not eliminated. Interfund transfers between the funds were made for the purposes of meeting operating costs.

	<u>Transfer In</u>	<u>Transfers out</u>
General Fund:		
General Fund	\$ 327	\$ 327
Education Fund	-	1,341
Institute Fund	-	206
Nonmajor Special Revenue Funds	-	29
Nonmajor Proprietary Funds	-	38
Total General Fund	<u>327</u>	<u>1,941</u>
Education Fund:		
General Fund	<u>1,341</u>	<u>-</u>
Institute Fund:		
General Fund	<u>206</u>	<u>-</u>
Nonmajor Special Revenue Funds:		
General Fund	<u>29</u>	<u>-</u>
Nonmajor Proprietary Funds:		
General Fund	<u>38</u>	<u>-</u>
Total	<u>\$ 1,941</u>	<u>\$ 1,941</u>

NOTE 16: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

The following funds had deficit fund balances at June 30, 2018:

General Funds	
General State Aid Safe Schools	\$ 9,615
Education Funds	
McKinney Education for Homeless Children	\$ 31,071
Title I System of Support	81,910

**STATE OF ILLINOIS
 REGIONAL OFFICE OF EDUCATION #21
 FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018**

NOTE 17: RESTATEMENT

The Regional Office of Education #21 implemented GASB 75 and consequently recognized deferred outflows of resources, deferred inflows of resources, and total postemployment benefit liability. Because these postemployment benefit related opening balances reflect other postemployment expenses not previously recognized, the opening net position of the governmental activities on the government-wide Statement of Activities has been restated as follows:

	<u>Governmental Activities</u>
Fund balance, June 30, 2017, as previously reported	\$ (2,432,023)
Implementation of GASB Statement No. 75	<u>(1,019,695)</u>
Fund balance, June 30, 2017, as restated	<u>\$ (3,451,718)</u>

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

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST FOUR CALENDAR YEARS**

Calendar Year Ended December 31,	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 51,027	\$ 53,042	\$ 43,685	\$ 43,429
Interest on the total pension liability	313,561	297,711	108,051	104,733
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(48,249)	98,088	2,590,355	(19,906)
Changes in assumptions	(121,896)	-	-	36,219
Benefit payments	(253,714)	(219,296)	(216,139)	(24,606)
Net change in total pension liability	(59,271)	229,545	2,525,952	139,869
Total pension liability beginning	4,282,158	4,052,613	1,526,661	1,386,792
Total Pension Liability Ending (a)	<u>\$ 4,222,887</u>	<u>\$ 4,282,158</u>	<u>\$ 4,052,613</u>	<u>\$ 1,526,661</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 26,030	\$ 42,001	\$ 154,182	\$ 39,403
Contributions - employees	25,030	28,909	26,228	17,487
Pension plan net investment income	642,526	2,870,148	(20,715)	71,057
Benefit payments, including refunds of employee contributions	(253,714)	(219,296)	(216,625)	(24,606)
Other (net transfer)	(3,759)	(5,081)	2,914	(937)
Net change in plan fiduciary net position	436,113	2,716,681	(54,016)	102,404
Plan fiduciary net position beginning	4,248,846	1,532,165	1,586,181	1,483,777
Plan fiduciary net position ending (b)	<u>\$ 4,684,959</u>	<u>\$ 4,248,846</u>	<u>\$ 1,532,165</u>	<u>\$ 1,586,181</u>
Net Pension Liability (Asset) Ending (a - b)	<u>\$ (462,072)</u>	<u>\$ 33,312</u>	<u>\$ 2,520,448</u>	<u>\$ (59,520)</u>
Plan fiduciary net position as a percentage of the total pension liability	110.94%	99.22%	37.81%	103.90%
Covered valuation payroll (as of December 31 valuation date)	\$ 556,203	\$ 503,605	\$ 582,847	\$ 400,638
Net pension liability (asset) as a percentage of covered valuation payroll	(83.08%)	6.61%	432.44%	(14.86%)

These schedules are intended to present information for a ten-year period.
As updated information becomes available, additional years will be presented.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST FOUR CALENDAR YEARS**

Calendar Year Ended December 31	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2017	\$ 26,030	\$ 26,030	\$ -	\$ 556,203	4.68%
2016	42,001	42,000	1	503,605	8.34%
2015	51,990	154,082	(102,092)	582,847	26.44%
2014	38,141	36,994	1,147	400,638	9.23%

Notes to Schedule:

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

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

Valuation Date:

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 2017 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>	26-year closed period
<i>Asset valuation method</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	3.5%
<i>Price Inflation:</i>	2.75%, approximate; No explicit price inflation assumption is used in this
<i>Salary Increases:</i>	3.75% to 14.50%, including inflation
<i>Investment Rate of Return:</i>	7.50%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.
<i>Mortality:</i>	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table, adjusted to match current IMRF experience. For disabled lives, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes: There were no benefit changes during the year.

* Based on Valuation Assumptions used in the December 31, 2015 actuarial valuation; note two year lag between valuation and rate setting.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER'S RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
For the Year Ended June 30, 2018**

	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
Employer's proportion of the net pension liability	0.00179259%	0.00201573%	0.00245954%	0.00214851%
Employer's proportionate share of the net pension liability	1,369,504	1,591,140	1,611,249	1,307,543
State's proportionate share of the net pension liability associated with the employer	<u>6,445,240</u>	<u>6,589,243</u>	<u>5,579,497</u>	<u>5,877,808</u>
Total	<u>7,814,744</u>	<u>8,180,383</u>	<u>7,190,746</u>	<u>7,185,351</u>
Employer's covered payroll	907,939	937,370	901,187	1,004,529
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	150.8%	169.7%	178.8%	130.2%
Plan fiduciary net position as a percentage of the total pension liability	39.3%	36.4%	41.5%	43.0%

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

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
For the Year Ended June 30, 2018

	2018	2017	2016	2015	2014
Statutorily-required contribution	\$ 4,546	73,815	78,063	85,064	69,687
Contributions in relation to the statutorily-required contribution	4,734	73,820	78,063	86,182	69,687
Contribution deficiency (excess)	<u>(188)</u>	<u>(5)</u>	<u>-</u>	<u>(1,118)</u>	<u>-</u>
Employer's covered payroll	\$ 562,471	863,806	907,939	901,187	1,004,529
Contributions as a percentage of covered payroll	0.84%	8.55%	8.60%	9.56%	6.94%

**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

For the 2017 measurement year, the assumed investment rate of return was 7.0 percent, including an inflation rate of 2.5 percent and real return of 4.5 percent. Salary increases were assumed to vary by service credit.

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

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

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

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE
SHARE OF THE COLLECTIVE NET OPEB LIABILITY
TEACHER HEALTH INSURANCE SECURITY FUND
For the Year Ended June 30, 2018**

	2017*	2016*
Employer's proportion of the collective net OPEB liability	0.003755%	0.003564%
Employer's proportionate share of the collective net OPEB liability	\$ 974,453	\$ 974,265
State's proportionate share of the collective net OPEB liability associated with the employer	\$ 1,279,618	\$ 1,350,911
Total	\$ 2,254,071	\$ 2,325,176
Employer's covered payroll	\$ 863,806	\$ 907,939
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	112.8%	107.3%
Plan fiduciary net position as a percentage of the total OPEB liability	-0.17%	-0.22%

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

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

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEACHERS' HEALTH INSURANCE SECURITY FUND
June 30, 2018**

	2018	2017	2016
Statutorily-required contribution	\$ 4,950	7,256	6,641
Contributions in relation to the statutorily-required contribution	4,950	7,256	6,641
Contribution deficiency (excess)	-	-	-
Employer's covered payroll	\$ 562,471	863,806	907,939
Contributions as a percentage of covered payroll	0.88%	0.84%	0.73%

**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.

Changes of Benefit Terms

In the June 30, 2018 actuarial valuation, there have been no changes of benefit terms from the prior period.

Changes of Assumptions

Due to the implementation of GASB 75 in the June 30, 2018 actuarial valuation, the beginning Total OPEB Liability is based on the same assumptions, data and plan provisions as the ending Total OPEB Liability. For the purpose of developing changes in the OPEB liability for financial reporting, there have been no changes in assumptions from the prior period.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET OPEB LIABILITY
AND RELATED RATIOS
For the Year Ended June 30, 2018**

MEASUREMENT DATE JUNE 30,	2018
Total OPEB Liability	
Service cost	\$ 4,370
Interest	2,382
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	-
	6,752
Net change in total OPEB liability	6,752
Total OPEB liability beginning	61,552
Total OPEB Liability Ending (a)	\$ 68,304
OPEB Plan Net Position Ending (b)	\$ -
Employer's Net OPEB Liability Ending (a - b)	\$ 68,304
Covered payroll	\$ 126,630
Employer's total OPEB liability as a percentage of covered payroll	53.94%

**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.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes of Benefit Terms

In the June 30, 2018 actuarial valuation, there have been no changes of benefit terms from the prior period.

Changes of Assumptions

Due to the implementation of GASB 75 in the June 30, 2018 actuarial valuation, the beginning Total OPEB Liability is based on the same assumptions, data and plan provisions ending Total OPEB Liability. For the purpose of developing changes in the OPEB liability for financial reporting, there have been no changes in assumptions from the prior period.

SUPPLEMENTAL INFORMATION

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
JUNE 30, 2018**

	<u>County Budget</u>	<u>ECHO</u>	<u>General Operating</u>	<u>School Facility Occupation Tax Interest Allocation</u>	<u>Interest Allocation</u>
ASSETS					
Cash and cash equivalents	\$ 23,542	\$ 120,649	\$ 21,893	\$ 2,410	\$ 43
Due from other funds	-	-	135,000	-	-
Accounts receivable	-	-	2,076	-	94
Due from other governments	-	-	-	209	-
Prepaid expenses	-	2,353	13,471	-	-
TOTAL ASSETS	<u>23,542</u>	<u>123,002</u>	<u>172,440</u>	<u>2,619</u>	<u>137</u>
DEFERRED OUTFLOWS OF RESOURCES					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 23,542</u>	<u>\$ 123,002</u>	<u>\$ 172,440</u>	<u>\$ 2,619</u>	<u>\$ 137</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ 2,538	\$ 1,087	\$ -	\$ -
Accrued wages and benefits	-	36,988	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>39,526</u>	<u>1,087</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>-</u>	<u>-</u>	<u>509</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)					
Nonspendable	-	2,353	13,471	-	-
Assigned	23,542	-	-	-	-
Unassigned	-	81,123	157,373	2,619	137
TOTAL FUND BALANCES (DEFICITS)	<u>23,542</u>	<u>83,476</u>	<u>170,844</u>	<u>2,619</u>	<u>137</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES (DEFICIT)	<u>\$ 23,542</u>	<u>\$ 123,002</u>	<u>\$ 172,440</u>	<u>\$ 2,619</u>	<u>\$ 137</u>

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
JUNE 30, 2018**

	<u>Prevention Social Marketing</u>	<u>General Sate Aid Safe Schools</u>	<u>Juvenile Detention Center</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 42	\$ 12,709	\$ 6,441	\$ 187,729
Due from other funds	-	-	-	135,000
Accounts receivable	-	-	-	2,170
Due from other governments	-	-	13,436	13,645
Prepaid expenses	-	1,285	-	17,109
TOTAL ASSETS	<u>42</u>	<u>13,994</u>	<u>19,877</u>	<u>355,653</u>
DEFERRED OUTFLOWS OF RESOURCES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 42</u>	<u>\$ 13,994</u>	<u>\$ 19,877</u>	<u>\$ 355,653</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 1,493	\$ 483	\$ 5,601
Accured wages and benefits	-	22,116	13,654	72,758
TOTAL LIABILITIES	<u>-</u>	<u>23,609</u>	<u>14,137</u>	<u>78,359</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>509</u>
FUND BALANCES (DEFICITS)				
Nonspendable	-	1,285	-	17,109
Assigned	-	-	5,740	29,282
Unassigned	42	(10,900)	-	230,394
TOTAL FUND BALANCES (DEFICITS)	<u>42</u>	<u>(9,615)</u>	<u>5,740</u>	<u>276,785</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES (DEFICIT)	<u>\$ 42</u>	<u>\$ 13,994</u>	<u>\$ 19,877</u>	<u>\$ 355,653</u>

(Concluded)

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>County Budget</u>	<u>ECHO</u>	<u>General Operating</u>	<u>School Facility Occupation Tax Interest Allocation</u>	<u>Interst Allocation</u>
REVENUES					
Local sources	\$ 204,561	\$ 2,807	\$ 53,864	\$ 1,622	\$ -
State sources	-	541,170	-	-	-
Interest	-	-	-	-	680
On behalf payments	104,515	-	268,887	-	-
Total revenues	<u>309,076</u>	<u>543,977</u>	<u>322,751</u>	<u>1,622</u>	<u>680</u>
EXPENDITURES					
Instructional services					
Salaries	118,164	280,577	-	-	-
Employee benefits	16,789	50,580	-	-	-
Pension expense	6,422	5,088	-	-	-
Purchased services	1,962	57,155	27,474	406	-
Supplies and materials	-	16,072	4,933	298	-
Capital outlay	-	-	-	-	-
Intergovernmental					
Payments to other governmental units	87,865	66,000	-	-	-
On-behalf payments	104,515	-	268,887	-	-
Total expenditures	<u>335,717</u>	<u>475,472</u>	<u>301,294</u>	<u>704</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(26,641)</u>	<u>68,505</u>	<u>21,457</u>	<u>918</u>	<u>680</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	48	87	163	13	-
Transfers out	-	-	(527)	-	(599)
Total Other Financing Sources	<u>48</u>	<u>87</u>	<u>(364)</u>	<u>13</u>	<u>(599)</u>
NET CHANGE IN FUND BALANCES	(26,593)	68,592	21,093	931	81
FUND BALANCES (DEFICITS) - BEGINNING	<u>50,135</u>	<u>14,884</u>	<u>149,751</u>	<u>1,688</u>	<u>56</u>
FUND BALANCES (DEFICIT) - ENDING	<u>\$ 23,542</u>	<u>\$ 83,476</u>	<u>\$ 170,844</u>	<u>\$ 2,619</u>	<u>\$ 137</u>

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Prevention Social Marketing</u>	<u>General State Aid Safe Schools</u>	<u>Juvenile Detention Center</u>	<u>Total</u>
REVENUES				
Local sources	\$ -	\$ -	\$ 166,812	\$ 429,666
State sources	-	138,779	-	679,949
Interest	-	-	-	680
On behalf payments	-	-	-	373,402
Total revenues	<u>-</u>	<u>138,779</u>	<u>166,812</u>	<u>1,483,697</u>
EXPENDITURES				
Instructional services				
Salaries	-	81,891	134,756	615,388
Employee benefits	-	10,124	17,904	95,397
Pension expense	-	1,382	823	13,715
Purchased services	-	33,891	4,192	125,080
Supplies and materials	-	14,549	1,752	37,604
Capital outlay	-	3,499	-	3,499
Intergovernmental				
Payments to other governmental units	-	-	-	153,865
On-behalf payments	-	-	-	373,402
Total expenditures	<u>-</u>	<u>145,336</u>	<u>159,427</u>	<u>1,417,950</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(6,557)</u>	<u>7,385</u>	<u>65,747</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	16	-	327
Transfers out	-	(815)	-	(1,941)
Total Other Financing Sources	<u>-</u>	<u>(799)</u>	<u>-</u>	<u>(1,614)</u>
NET CHANGE IN FUND BALANCES	-	(7,356)	7,385	64,133
FUND BALANCES (DEFICITS) - BEGINNING	<u>42</u>	<u>(2,259)</u>	<u>(1,645)</u>	<u>212,652</u>
FUND BALANCES (DEFICIT) - ENDING	<u>\$ 42</u>	<u>\$ (9,615)</u>	<u>\$ 5,740</u>	<u>\$ 276,785</u>

(Concluded)

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2018**

	McKinney Education for Homeless Children	Substance Abuse Prevention & Treatment	New Principal Mentoring Program	Title I System of Support
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 201	\$ -
Due from other governments	70,288	61,502	-	142,491
Prepaid Expenses	-	-	-	63
TOTAL ASSETS	70,288	61,502	201	142,554
DEFERRED OUTFLOWS OF RESOURCES				
	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	\$ 70,288	\$ 61,502	\$ 201	\$ 142,554
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 10,517
Due to other funds	39,217	61,496	-	60,581
Due to other governments	31,071	-	-	71,456
TOTAL LIABILITIES	70,288	61,496	-	142,554
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	31,071	-	-	81,910
FUND BALANCES (DEFICITS)				
Nonspendable	-	-	-	63
Restricted	-	6	201	-
Unassigned	(31,071)	-	-	(81,973)
TOTAL FUND BALANCES (DEFICITS)	(31,071)	6	201	(81,910)
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES (DEFICIT)				
	\$ 70,288	\$ 61,502	\$ 201	\$ 142,554

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2018**

	Title II Teacher Quality Leadership	FY '17 Partnership for College and Career Success	Title II Teacher Quality ECHO	State Free Lunch and Breakfast
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,373
Due from other governments	-	-	-	445
Prepaid Expenses	-	-	-	-
TOTAL ASSETS	-	-	-	1,818
DEFERRED OUTFLOWS OF RESOURCES				
	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ -	\$ 1,818
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	288
FUND BALANCES (DEFICITS)				
Nonspendable	-	-	-	-
Restricted	-	-	-	1,530
Unassigned	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	-	-	-	1,530
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES (DEFICIT)	\$ -	\$ -	\$ -	\$ 1,818

(Continued)

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2018**

	<u>Federal Lunch and Breakfast</u>	<u>ROE/ISC Operations</u>	<u>Regional Safe School</u>	<u>Truants Alternative/ Optional Education</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 5,987	\$ 298	\$ -	\$ -	\$ 7,859
Due from other governments	-	-	600	13,707	289,033
Prepaid Expenses	-	-	-	-	63
TOTAL ASSETS	<u>5,987</u>	<u>298</u>	<u>600</u>	<u>13,707</u>	<u>296,955</u>
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,987</u>	<u>\$ 298</u>	<u>\$ 600</u>	<u>\$ 13,707</u>	<u>\$ 296,955</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 10,517
Due to other funds	-	-	600	13,707	175,601
Due to other governments	-	-	-	-	102,527
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>600</u>	<u>13,707</u>	<u>288,645</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	113,269
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	63
Restricted	5,987	298	-	-	8,022
Unassigned	-	-	-	-	(113,044)
TOTAL FUND BALANCES (DEFICITS)	<u>5,987</u>	<u>298</u>	<u>-</u>	<u>-</u>	<u>(104,959)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES (DEFICIT)	<u>\$ 5,987</u>	<u>\$ 298</u>	<u>\$ 600</u>	<u>\$ 13,707</u>	<u>\$ 296,955</u>

(Concluded)

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2018**

	McKinney Education for Homeless Children	Substance Abuse Prevention & Treatment	New Principal Mentoring Program	Title I System of Support
REVENUES				
State sources	\$ -	\$ 124,037	\$ -	\$ -
Federal sources	301,264	97,540	-	366,689
Total revenues	<u>301,264</u>	<u>221,577</u>	<u>-</u>	<u>366,689</u>
EXPENDITURES				
Instructional services				
Salaries	79,670	116,040	-	92,575
Employee benefits	6,039	8,877	-	12,887
Pension expense	2,700	6,373	-	5,910
Purchased services	16,963	33,801	-	47,994
Supplies and materials	5,250	6,869	-	4,147
Capital outlay	850	5,574	-	1,818
Intergovernmental				
Payments to other governmental units	177,607	-	-	254,575
Total expenditures	<u>289,079</u>	<u>177,534</u>	<u>-</u>	<u>419,906</u>
Excess (Deficiency) of Revenues Over (under) Expenditures	<u>12,185</u>	<u>44,043</u>	<u>-</u>	<u>(53,217)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	1
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
NET CHANGE IN FUND BALANCES	12,185	44,043	-	(53,216)
FUND BALANCES (DEFICIT) - BEGINNING	<u>(43,256)</u>	<u>(44,037)</u>	<u>201</u>	<u>(28,694)</u>
FUND BALANCES (DEFICIT) - ENDING	<u>\$ (31,071)</u>	<u>\$ 6</u>	<u>\$ 201</u>	<u>\$ (81,910)</u>

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2018**

	Title II Teacher Quality Leadership	FY '17 Partnership for College and Career Success	Title II Teacher Quality ECHO	State Free Lunch and Breakfast
REVENUES				
State sources	\$ -	\$ 12,561	\$ -	\$ 857
Federal sources	1,638	-	685	-
Total revenues	<u>1,638</u>	<u>12,561</u>	<u>685</u>	<u>857</u>
EXPENDITURES				
Instructional services				
Salaries	-	-	-	-
Employee benefits	-	-	-	-
Pension expense	-	-	-	-
Purchased services	1,700	19	685	-
Supplies and materials	-	-	-	-
Capital outlay	-	-	-	-
Intergovernmental				
Payments to other governmental units	-	-	-	-
Total expenditures	<u>1,700</u>	<u>19</u>	<u>685</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (under) Expenditures	<u>(62)</u>	<u>12,542</u>	<u>-</u>	<u>857</u>
Other Financing Sources (Uses)				
Transfers in	62	19	-	-
Total Other Financing Sources (Uses)	<u>62</u>	<u>19</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	12,561	-	857
FUND BALANCES (DEFICIT) - BEGINNING	<u>-</u>	<u>(12,561)</u>	<u>-</u>	<u>673</u>
FUND BALANCES (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,530</u>

(Continued)

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2018**

	<u>Federal Lunch and Breakfast</u>	<u>ROE/ISC Operations</u>	<u>Regional Safe Schools</u>	<u>Truants Alternative/ Optional Education</u>	<u>Total</u>
REVENUES					
State sources	\$ -	\$ 125,694	\$ 116,684	\$ 97,865	\$ 477,698
Federal sources	47,447	-	-	-	815,263
Total revenues	<u>47,447</u>	<u>125,694</u>	<u>116,684</u>	<u>97,865</u>	<u>1,292,961</u>
EXPENDITURES					
Instructional services					
Salaries	6,300	85,396	69,795	63,147	512,923
Employee benefits	482	9,546	12,439	5,860	56,130
Pension expense	351	3,534	507	3,148	22,523
Purchased services	93	23,584	488	12,870	138,197
Supplies and materials	38,065	2,942	-	1,558	58,831
Capital outlay	-	838	-	-	9,080
Intergovernmental					
Payments to other governmental units	-	-	-	-	432,182
Total expenditures	<u>45,291</u>	<u>125,840</u>	<u>83,229</u>	<u>86,583</u>	<u>1,229,866</u>
Excess (Deficiency) of Revenues Over (under) Expenditures	<u>2,156</u>	<u>(146)</u>	<u>33,455</u>	<u>11,282</u>	<u>63,095</u>
Other Financing Sources (Uses)					
Transfers in	-	444	815	-	1,341
Total Other Financing Sources (Uses)	<u>-</u>	<u>444</u>	<u>815</u>	<u>-</u>	<u>1,341</u>
NET CHANGE IN FUND BALANCES	2,156	298	34,270	11,282	64,436
FUND BALANCES (DEFICIT) - BEGINNING	<u>3,831</u>	<u>-</u>	<u>(34,270)</u>	<u>(11,282)</u>	<u>(169,395)</u>
FUND BALANCES (DEFICIT) - ENDING	<u>\$ 5,987</u>	<u>\$ 298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (104,959)</u>

(Concluded)

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BUDGETARY COMPARISON SCHEDULE
(For the Period of July 1, 2017 to June 30, 2018)
EDUCATION FUND ACCOUNTS
MCKINNEY EDUCATION FOR HOMELESS CHILDREN (2017-4920-RF)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Federal sources	\$ 239,591	\$ 297,907	\$ 69,012
Total revenues	<u>239,591</u>	<u>297,907</u>	<u>69,012</u>
 EXPENDITURES			
Salaries	77,713	86,446	5,230
Employee benefits	12,255	10,186	391
Purchased services	18,915	23,915	852
Supplies and materials	1,913	1,913	-
Payments to other governments	<u>128,795</u>	<u>175,447</u>	<u>19,283</u>
Total expenditures	<u>239,591</u>	<u>297,907</u>	<u>25,756</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>43,256</u>
 FUND BALANCE - BEGINNING			<u>(43,256)</u>
 FUND BALANCE - ENDING			<u>\$ -</u>

See accompanying Independent Auditors' Report.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BUDGETARY COMPARISON SCHEDULE
(For the Period of July 1, 2017 to June 30, 2018)
EDUCATION FUND ACCOUNTS
MCKINNEY EDUCATION FOR HOMELESS CHILDREN (2018-4920-00)
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Federal sources	\$ 287,907	\$ 310,703	\$ 232,252
Total revenues	<u>287,907</u>	<u>310,703</u>	<u>232,252</u>
 EXPENDITURES			
Salaries	83,257	83,257	74,440
Employee benefits	9,602	9,602	5,648
Pension expense	-	-	2,700
Purchased services	25,270	23,284	16,111
Supplies and materials	2,331	5,597	5,250
Capital outlay	-	850	850
Payments to other governments	<u>167,447</u>	<u>188,113</u>	<u>158,324</u>
Total expenditures	<u>287,907</u>	<u>310,703</u>	<u>263,323</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(31,071)</u>
 FUND BALANCE - BEGINNING			<u>-</u>
 FUND BALANCE - ENDING			<u>\$ (31,071)</u>

See accompanying Independent Auditors' Report.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BUDGETARY COMPARISON SCHEDULE
(For the Period of July 1, 2017 to June 30, 2018)
EDUCATION FUND ACCOUNTS
SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
State sources	\$ -	\$ 75,000	\$ 124,037
Federal sources	150,000	150,000	97,540
Total revenues	150,000	225,000	221,577
EXPENDITURES			
Salaries	110,470	116,040	116,040
Employee benefits	15,332	16,106	8,877
Pension expense	-	-	6,373
Purchased services	19,995	81,786	33,801
Supplies and materials	2,453	5,469	6,869
Capital outlay	1,750	5,599	5,574
Total expenditures	150,000	225,000	177,534
Net change in fund balance	\$ -	\$ -	44,043
FUND BALANCE - BEGINNING			(44,037)
FUND BALANCE - ENDING			\$ 6

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BUDGETARY COMPARISON SCHEDULE
(For the Period of July 1, 2017 to June 30, 2018)
EDUCATION FUND ACCOUNTS
TITLE I SYSTEM OF SUPPORT (2017-4331-SS)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Federal sources	\$ 1,037,285	\$ 1,037,285	\$ 64,495
Total revenues	<u>1,037,285</u>	<u>1,037,285</u>	<u>64,495</u>
EXPENDITURES			
Salaries	313,948	313,948	7,178
Employee benefits	125,107	125,107	487
Pension expense	-	-	289
Purchased services	261,314	261,314	1,896
Supplies and materials	4,400	4,400	255
Capital outlay	1,000	1,000	-
Payments to other governments	331,516	331,516	25,697
Total expenditures	<u>1,037,285</u>	<u>1,037,285</u>	<u>35,802</u>
Revenues over (under) expenditures	-	-	28,693
Other financing sources and (uses)			
Transfers in	-	-	1
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>1</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	28,694
FUND BALANCE - BEGINNING			<u>(28,694)</u>
FUND BALANCE - ENDING			<u>\$ -</u>

See accompanying Independent Auditors' Report.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BUDGETARY COMPARISON SCHEDULE
(For the Period of July 1, 2017 to June 30, 2018)
EDUCATION FUND ACCOUNTS
TITLE I SYSTEM OF SUPPORT (2018-4331-SS)
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Federal sources	\$ 510,000	\$ 510,000	\$ 302,194
Total revenues	510,000	510,000	302,194
EXPENDITURES			
Salaries	93,170	93,170	85,397
Employee benefits	18,693	18,693	12,400
Pension expense	-	-	5,621
Purchased services	37,932	36,232	46,098
Supplies and materials	2,905	2,905	3,892
Capital outlay	-	1,700	1,818
Payments to other governments	357,300	357,300	228,878
Total expenditures	510,000	510,000	384,104
Revenues over (under) expenditures	-	-	(81,910)
Other financing sources and (uses)			
Transfers in	-	-	-
Total other financing (uses)	-	-	-
Net change in fund balance	\$ -	\$ -	(81,910)
FUND BALANCE - BEGINNING			-
FUND BALANCE - ENDING			\$ (81,910)

See accompanying Independent Auditors' Report.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BUDGETARY COMPARISON SCHEDULE
(For the Period of July 1, 2017 to June 30, 2018)
EDUCATION FUND ACCOUNTS
TITLE II TEACHER QUALITY - LEADERSHIP
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Federal sources	\$ 1,638	\$ 1,638	\$ 1,638
Total revenues	<u>1,638</u>	<u>1,638</u>	<u>1,638</u>
 EXPENDITURES			
Purchased services	<u>1,638</u>	<u>1,638</u>	<u>1,700</u>
Total expenditures	<u>1,638</u>	<u>1,638</u>	<u>1,700</u>
Revenues over (under) expenditures	-	-	(62)
Other financing sources and (uses)			
Transfers in	<u>-</u>	<u>-</u>	<u>62</u>
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>62</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	-
 FUND BALANCE - BEGINNING			<u>-</u>
 FUND BALANCE - ENDING			<u>\$ -</u>

See accompanying Independent Auditors' Report.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BUDGETARY COMPARISON SCHEDULE
(For the Period of July 1, 2017 to June 30, 2018)
EDUCATION FUND ACCOUNTS
TITLE II TEACHER QUALITY - ECHO
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Federal sources	\$ 684	\$ 685	\$ 685
Total revenues	684	685	685
EXPENDITURES			
Purchased services	684	685	685
Total expenditures	684	685	685
Net change in fund balance	\$ -	\$ -	-
FUND BALANCE - BEGINNING			-
FUND BALANCE - ENDING			\$ -

See accompanying Independent Auditors' Report.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BUDGETARY COMPARISON SCHEDULE
(For the Period of July 1, 2017 to June 30, 2018)
EDUCATION FUND ACCOUNTS
ROE/ISC OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
State sources	\$ 116,364	\$ 125,694	\$ 125,694
Total revenues	116,364	125,694	125,694
EXPENDITURES			
Salaries	85,515	85,515	85,396
Employee benefits	11,628	11,628	9,546
Pension expense	-	-	3,534
Purchased services	17,286	24,716	23,584
Supplies and materials	1,935	2,935	2,942
Capital outlay	-	900	838
Total expenditures	116,364	125,694	125,840
Revenues over (under) expenditures	-	-	(146)
Other financing sources and (uses)			
Transfers in	-	-	444
Total other financing (uses)	-	-	444
Net change in fund balance	\$ -	\$ -	298
FUND BALANCE - BEGINNING			-
FUND BALANCE - ENDING			\$ 298

See accompanying Independent Auditors' Report.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BUDGETARY COMPARISON SCHEDULE
(For the Period of July 1, 2017 to June 30, 2018)
EDUCATION FUND ACCOUNTS
REGIONAL SAFE SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
State sources	\$ 82,414	\$ 82,414	\$ 116,684
Total revenues	<u>82,414</u>	<u>82,414</u>	<u>116,684</u>
EXPENDITURES			
Salaries	69,900	69,900	69,795
Employee benefits	11,124	10,679	12,439
Pension expense	-	445	507
Purchased services	1,217	1,217	488
Supplies and materials	173	173	-
Total expenditures	<u>82,414</u>	<u>82,414</u>	<u>83,229</u>
Revenues over (under) expenditures	-	-	33,455
Other financing sources and (uses)			
Transfers in	-	-	815
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>815</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	34,270
FUND BALANCE - BEGINNING			<u>(34,270)</u>
FUND BALANCE - ENDING			<u>\$ -</u>

See accompanying Independent Auditors' Report.

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
BUDGETARY COMPARISON SCHEDULE
(For the Period of July 1, 2017 to June 30, 2018)
EDUCATION FUND ACCOUNTS
TRUANTS ALTERNATIVE/OPTIONAL EDUCATION
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
State sources	\$ 95,000	\$ 95,000	\$ 97,865
Total revenues	<u>95,000</u>	<u>95,000</u>	<u>97,865</u>
EXPENDITURES			
Salaries	74,238	71,738	63,147
Employee benefits	5,546	5,546	5,860
Pension expense	4,122	4,122	3,148
Purchased services	10,287	12,787	12,870
Supplies and materials	<u>807</u>	<u>807</u>	<u>1,558</u>
Total expenditures	<u>95,000</u>	<u>95,000</u>	<u>86,583</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	11,282
FUND BALANCE - BEGINNING			<u>(11,282)</u>
FUND BALANCE - ENDING			<u>\$ -</u>

See accompanying Independent Auditors' Report.

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018**

	Bus Driver Permit	General Education Development	Total
ASSETS			
Cash and cash equivalents	\$ 8,242	\$ 17,405	\$ 25,647
Accounts receivable	670	-	670
TOTAL ASSETS	\$ 8,912	\$ 17,405	\$ 26,317
LIABILITIES			
TOTAL LIABILITIES	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	630	-	630
FUND BALANCES			
Restricted	8,282	17,405	25,687
Total Fund Balances	8,282	17,405	25,687
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 8,912	\$ 17,405	\$ 26,317

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Bus Driver Permit	General Education Development	Total
REVENUES			
Local Sources	\$ 4,250	\$ 4,074	\$ 8,324
State Sources	1,455	-	1,455
Total revenues	<u>5,705</u>	<u>4,074</u>	<u>9,779</u>
EXPENDITURES			
Salaries	2,850	220	3,070
Employee Benefits	218	17	235
Purchased services	1,108	1,101	2,209
Total expenditures	<u>4,176</u>	<u>1,338</u>	<u>5,514</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>1,529</u>	<u>2,736</u>	<u>4,265</u>
Other Financing Sources (Uses)			
Transfers In	10	19	29
Total Other Financing Sources (Uses)	<u>10</u>	<u>19</u>	<u>29</u>
Net Change in Fund Balances	1,539	2,755	4,294
FUND BALANCES - BEGINNING	<u>6,743</u>	<u>14,650</u>	<u>21,393</u>
FUND BALANCES - ENDING	<u><u>\$ 8,282</u></u>	<u><u>\$ 17,405</u></u>	<u><u>\$ 25,687</u></u>

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING SCHEDULE OF ACCOUNTS
INSTITUTE FUND ACCOUNTS
JUNE 30, 2018**

	Institute	Technology	Total
ASSETS			
Cash and cash equivalents	\$ 71,619	\$ 8,015	\$ 79,634
Due from other funds	-	20,001	20,001
Accounts receivable	36,143	-	36,143
Prepaid expenses	-	3,511	3,511
TOTAL ASSETS	\$ 107,762	\$ 31,527	\$ 139,289
LIABILITIES			
TOTAL LIABILITIES	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES			
	-	-	-
FUND BALANCES			
Nonspendable	-	3,511	3,511
Restricted	107,762	28,016	135,778
Total Fund Balances	107,762	31,527	139,289
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 107,762	\$ 31,527	\$ 139,289

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
INSTITUTE FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2018**

	Institute	Technology	Total
REVENUES			
Local Sources	\$ 49,550	\$ 24,464	\$ 74,014
Total revenues	49,550	24,464	74,014
EXPENDITURES			
Instructional Services			
Purchased services	29,093	25,655	54,748
Supplies and materials	431	10,165	10,596
Capital outlay	-	15,920	15,920
Total expenditures	29,524	51,740	81,264
Excess (Deficiency) of Revenue Over (Under) Expenditures	20,026	(27,276)	(7,250)
Other Financing Sources (Uses)			
Transfers In	148	58	206
Total Other Financing Sources (Uses)	148	58	206
Net Change in Fund Balances	20,174	(27,218)	(7,044)
FUND BALANCES - BEGINNING	87,588	58,745	146,333
FUND BALANCES - ENDING	\$ 107,762	\$ 31,527	\$ 139,289

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2018**

	<u>School Facility Occupation Tax</u>	<u>Franklin County Regional Delivery System</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 208	\$ -	\$ 208
Due from other governments	1,626,006	17,129	1,643,135
TOTAL ASSETS	<u>\$ 1,626,214</u>	<u>\$ 17,129</u>	<u>\$ 1,643,343</u>
LIABILITIES			
Due to other governments	\$ 1,626,214	\$ 17,129	\$ 1,643,343
TOTAL LIABILITIES	<u>\$ 1,626,214</u>	<u>\$ 17,129</u>	<u>\$ 1,643,343</u>

**REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the year ended June 30, 2018**

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
<u>School Facility Occupation Tax</u>				
ASSETS				
Cash and cash equivalents	\$ 154	\$ 9,216,062	\$ 9,216,008	\$ 208
Due from other governments	1,558,961	1,626,006	1,558,961	1,626,006
TOTAL ASSETS	\$ 1,559,115	\$ 10,842,068	\$ 10,774,969	\$ 1,626,214
LIABILITIES				
Due to other governments	\$ 1,559,115	\$ 1,626,214	\$ 1,559,115	\$ 1,626,214
TOTAL LIABILITIES	\$ 1,559,115	\$ 1,626,214	\$ 1,559,115	\$ 1,626,214
 <u>Franklin County Regional Delivery System</u>				
ASSETS				
Cash and cash equivalents	\$ 7	\$ -	\$ 7	\$ -
Due from other governments	191,212	17,129	191,212	17,129
TOTAL ASSETS	\$ 191,219	\$ 17,129	\$ 191,219	\$ 17,129
LIABILITIES				
Due to other governments	\$ 191,219	\$ 17,129	\$ 191,219	\$ 17,129
TOTAL LIABILITIES	\$ 191,219	\$ 17,129	\$ 191,219	\$ 17,129
 <u>Total</u>				
ASSETS				
Cash and cash equivalents	\$ 161	\$ 9,216,062	\$ 9,216,015	\$ 208
Due from other governments	1,750,173	1,643,135	1,750,173	1,643,135
TOTAL ASSETS	\$ 1,750,334	\$ 10,859,197	\$ 10,966,188	\$ 1,643,343
LIABILITIES				
Due to other governments	\$ 1,750,334	\$ 1,643,343	\$ 1,750,334	\$ 1,643,343
TOTAL LIABILITIES	\$ 1,750,334	\$ 1,643,343	\$ 1,750,334	\$ 1,643,343

FEDERAL COMPLIANCE SECTION

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
passed through Illinois State Board of Education				
Supporting Effective Instruction State Grants				
Title II - Teacher Quality	84.367	2018-4932-00		\$ 685
Title II - Teacher Quality - Leadership	84.367	2018-4935-02		<u>1,638</u>
				<u>2,323</u>
Education for Homeless Children and Youth				
McKinney Education for Homeless Children	84.196A	2017-4920-RF	\$ 19,283	25,756
McKinney Education for Homeless Children	84.196A	2018-4920-00	158,324	<u>263,323</u>
Total Education for Homeless Children and Youth			<u>177,607</u>	<u>289,079</u> M
Title I Grants to Local Educational Agencies				
Title I - School Improvement	84.010A	2017-4331-SS	25,697	35,801
Title I - School Improvement	84.010A	2018-4331-SS	228,878	<u>384,105</u>
Total Title I Grants to Local Educational Agencies			<u>254,575</u>	<u>419,906</u> M
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>711,308</u>
U.S. DEPARTMENT OF AGRICULTURE				
passed through Illinois State Board of Education				
Child School Nutrition Cluster				
School Breakfast Program	10.553	2017-4220-00		2,171
School Breakfast Program	10.553	2018-4220-00		<u>10,998</u>
				<u>13,169</u>
National School Lunch Program				
National School Lunch Program	10.555	2017-4210-00		5,230
National School Lunch Program	10.555	2018-4210-00		<u>26,892</u>
				<u>32,122</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>45,291</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
passed through Illinois Department of Human Services				
Block Grants for Prevention and Treatment of Substances Abuse	93.959	43CWZ03231		<u>97,540</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 432,182</u>	<u>\$ 854,139</u>

(M) Program was audited as a major program.

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this statement.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #21
FRANKLIN-JOHNSON-MASSAC-WILLIAMSON COUNTIES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018**

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Regional Office of Education #21 under programs of the federal government for the year ended June 30, 2018. 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 the Regional Office of Education #21, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Regional Office of Education #21.

NOTE 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. The Regional Office of Education #21 has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.