

**State of Illinois**  
**BOONE/WINNEBAGO COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #4**  
**FINANCIAL AUDIT**  
**(In Accordance with the Single Audit Act**  
**and OMB Circular A-133)**  
**For the Year Ended June 30, 2015**

**Performed as Special Assistant Auditors**  
**For the Office of the Auditor General**

BOONE/WINNEBAGO COUNTIES  
 REGIONAL OFFICE OF EDUCATION #4  
 JUNE 30, 2015

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BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
JUNE 30, 2015

OFFICIALS

Regional Superintendent  
(Current and During the Audit Period)

Dr. Lori Fanello

Assistant Regional Superintendent  
(Current and During the Audit Period)

Dr. Linda Oshita

Office is located at:

300 Heart Blvd.  
Loves Park, IL 61111-7516

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
JUNE 30, 2015

COMPLIANCE REPORT SUMMARY

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

AUDITORS' REPORTS

The auditors' reports 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	4	1
Repeated audit findings	1	1
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

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
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FINDINGS (*GOVERNMENT AUDITING STANDARDS*)

2015-001	14a	Controls over Financial Statement Preparation	Material Weakness
2015-002	14d	Implementation of Internal Controls over Payroll	Material Weakness
2015-003	14e	Monitoring Capital Assets	Material Weakness
2015-004	14f	Noncompliance with Grant Requirements	Noncompliance

FINDINGS AND QUESTIONED COSTS (*FEDERAL COMPLIANCE*)

None

PRIOR FINDINGS NOT REPEATED (*GOVERNMENT AUDITING STANDARDS*)

None

PRIOR FINDINGS NOT REPEATED (*FEDERAL COMPLIANCE*)

None

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
JUNE 30, 2015

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference on October 2, 2015. Attending were Dr. Lori Fanello, Regional Superintendent; Cyndy Sheetz, Administrative Assistant; and Karen Bojda, CPA, Kemper CPA Group, LLP. Responses to the recommendations were provided by Dr. Lori Fanello, Regional Superintendent.

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
JUNE 30, 2015

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Boone/Winnebago Counties Regional Office of Education #4 was performed by Kemper CPA Group LLP, Certified Public Accountants and Consultants.

Based on their audit, the auditors expressed an unmodified opinion on the Regional Office of Education #4's basic financial statements.



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 Boone/Winnebago Counties Regional Office of Education #4, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Boone/Winnebago Counties Regional Office of Education #4's basic financial statements as listed in the table of contents.

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

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

**Auditors' Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boone/Winnebago Counties Regional Office of Education #4, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As disclosed in Notes 1 and 14 to the financial statements, the Boone/Winnebago Counties Regional Office of Education #4 implemented Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, in the current year and has recognized a net pension liability and deferred inflows and outflows of resources related to pensions. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Illinois Municipal Retirement Fund Schedule of Changes in the Net Pension Liability & Related Ratios, Illinois Municipal Retirement Fund Schedule of Employer Contributions, Teachers' Retirement System of the State of Illinois Schedule of the Employer's Proportionate Share of the Net Pension Liability, Teachers' Retirement System of the State of Illinois Schedule of Employer Contributions, and Other Postemployment Benefits – Health Insurance Plan for Retired Employees Schedule of Funding Progress on pages 18a through 18f and 66 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boone/Winnebago Counties Regional Office of Education #4's basic financial statements. The combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, the Schedule of Disbursements to School District Treasurers and Other Entities, and the Schedule of Expenditures of Federal Awards, as required by Office of Management and

Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, the Schedule of Disbursements to School District Treasurers and Other Entities, and the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, the Schedule of Disbursements to School District Treasurers and Other Entities, and the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2016, on our consideration of the Boone/Winnebago Counties Regional Office of Education #4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boone/Winnebago Counties Regional Office of Education #4's internal control over financial reporting and compliance.

*Kemper CPA Group LLP*

*Certified Public Accountants  
and Consultants*

Mattoon, Illinois  
March 9, 2016

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 Boone/Winnebago Counties Regional Office of Education #4, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Boone/Winnebago Counties Regional Office of Education #4's basic financial statements and have issued our report thereon dated March 9, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Boone/Winnebago Counties Regional Office of Education #4'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 Boone/Winnebago Counties Regional Office of Education #4's internal control. Accordingly, we do not express an opinion on the effectiveness of Boone/Winnebago Counties Regional Office of Education #4's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material

misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001, 2015-002, and 2015-003 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boone/Winnebago Counties Regional Office of Education #4'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-004.

#### Regional Office of Education #4's Responses to Findings

Boone/Winnebago Counties Regional Office of Education #4's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Boone/Winnebago Counties Regional Office of Education #4's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Boone/Winnebago Counties Regional Office of Education #4's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boone/Winnebago Counties Regional Office of Education #4's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kemper CPA Group LLP*

*Certified Public Accountants  
and Consultants*

Mattoon, Illinois  
March 9, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

Report on Compliance for Each Major Federal Program

We have audited Boone/Winnebago Counties Regional Office of Education #4's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Boone/Winnebago Counties Regional Office of Education #4's major federal programs for the year ended June 30, 2015. Boone/Winnebago Counties Regional Office of Education #4's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Boone/Winnebago Counties Regional Office of Education #4'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Boone/Winnebago Counties Regional Office of Education #4'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 Boone/Winnebago Counties Regional Office of Education #4's compliance.

#### Opinion on Each Major Federal Program

In our opinion, the Boone/Winnebago Counties Regional Office of Education #4 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, 2015.

#### Report on Internal Control over Compliance

Management of Boone/Winnebago Counties Regional Office of Education #4 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 Boone/Winnebago Counties Regional Office of Education #4's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Boone/Winnebago Counties Regional Office of Education #4'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Kemper CPA Group LLP*

*Certified Public Accountants  
and Consultants*

Mattoon, Illinois  
March 9, 2016



BOONE/WINNEBAGO COUNTIES  
 REGIONAL OFFICE OF EDUCATION #4  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2015

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**Financial Statements**

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	Yes
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	Yes

**Federal Awards**

Internal control over major federal programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
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 Section .510(a) of OMB Circular A-133?	No

Identification of major federal programs:

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
84.010A	Title I - Grants to Local Educational Agencies (Title I – School Improvement and Accountability)

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	No

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding No. 2015-001 – Controls over Financial Statement Preparation (Repeat of Finding 14-001, 13-001, 12-01, 11-01, and 10-01)**

**Criteria/Specific Requirement:**

The Regional Office of Education #4 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Regional Office's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP-based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

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

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

**Condition:**

The Regional Office of Education #4 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP-based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, in their review of the Regional Office's accounting records, the auditors noted the following:

- The Regional Office's financial information required numerous adjusting entries to present the financial statements in accordance with generally accepted accounting principles.

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding No. 2015-001 – Controls over Financial Statement Preparation (Repeat of Finding 14-001, 13-001, 12-01, 11-01, and 10-01) (Continued)**

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, unearned revenue, and prepaid expenses. While the Regional Office did maintain records to indicate the balances of accounts payable, accounts receivable, unearned revenue, and prepaid expenses and made entries to record them, not all accounts payable, accounts receivable, unearned revenue, and prepaid expenses were correctly recorded.
- The cash and activity of the Richard Fairgrievies Scholarship Fund were recorded and tracked independently of the Regional Office’s accounting system.
- In addition, the Regional Office did not have adequate controls to record and report its net accrued pension liability/asset, deferred outflows and inflows of resources, and pension expense in accordance with GAAP. Proposed adjusting entries were approved and accepted by the Regional Office’s management.

**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:**

Current funding levels are not adequate to hire and/or train accounting personnel in order to comply with these requirements. According to the Regional Office’s management, the complex requirements of GASB Statements No. 68 and No. 71 were new for fiscal year 2015 and will require additional time and training before the Regional Office can fully implement the requirements on its own.

**Auditor’s Recommendation:**

As part of internal control over the preparation of financial statements, including disclosures, the Regional Office of Education #4 should implement a comprehensive preparation and/or review procedure to ensure the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education’s activities and operations.

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding No. 2015-001 – Controls over Financial Statement Preparation (Repeat of Finding 14-001, 13-001, 12-01, 11-01, and 10-01) (Concluded)**

**Management's Response:**

The Regional Office of Education #4 accepts the degree of risk associated with this condition because the additional expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region. However, the Regional Office has also expended time and resources to remedy conditions underlying this finding. The Regional Office has implemented staffing changes to provide more checks and balances to our accounting processes and contracted with an outside Software Specialist to bring our accounting system into compliance with ISBE accounting standards and to train our staff. We will continue to work with a Software Specialist to ascertain that our accounting program is up to date and that our staff possesses the knowledge required to compile the necessary GAAP-based financial statements.

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding No. 2015-002 – Implementation of Internal Controls over Payroll**

**Criteria/Specific Requirement:**

The Regional Superintendent of Schools is responsible for establishing and maintaining a system of internal controls over payroll disbursements to prevent errors and fraud. Specifically, the Regional Office's internal controls require all employment agreements to be signed by both the employee and management.

**Condition:**

Five out of 20 (25%) employment agreements examined were not signed by a member of management.

**Effect:**

The lack of a contract signed by both the employee and a member of management may lead to disputes over wages, benefits, duties, or other rights and obligations of the Regional Office or of the employee.

**Cause:**

A member of management was not aware of the Regional Office's internal control procedures related to their employment agreements.

**Auditor's Recommendation:**

The Regional Office of Education #4 should ensure that all members of management are aware of and properly implement the Regional Office's internal control procedures related to their payroll process.

**Management's Response:**

The Regional Office of Education #4 will ensure that all management is aware that (2) two signatures are required on each employment agreement. Signature lines will be added to the FY17 fiscal year agreements.

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding No. 2015-003 – Monitoring Capital Assets**

**Criteria/Specific Requirement:**

The Regional Office of Education #4 is required by 23 Ill. Adm. Code Part 100.100 to maintain an updated schedule of capital assets and depreciation.

**Condition:**

The Regional Office's capital asset schedule did not include all current-year additions. Assets totaling \$9,401 were excluded from the asset schedule provided by the Regional Office.

**Effect:**

An incomplete schedule of capital assets does not allow the Regional Office to inventory and monitor its capital assets or to record depreciation expense over the assets' useful lives.

**Cause:**

Maintenance of the capital asset schedule is decentralized, and it is updated by multiple personnel, which makes it difficult for the Regional Office to ensure the schedule is complete and updated timely.

**Auditor's Recommendation:**

The Regional Office of Education #4 should assign responsibility to one individual to ensure that the capital asset schedule is regularly maintained and periodically reconciled to the accounting records.

**Management's Response:**

The Regional Office of Education #4 will work with each program director to ensure that their capital asset schedule is current and up to date. One individual will reconcile those records to the accounting records.

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**SECTION II – FINANCIAL STATEMENT FINDINGS (Concluded)**

**Finding No. 2015-004 – Noncompliance with Grant Requirements**

**Criteria/Specific Requirement:**

The Regional Office must comply with grant accounting and reporting requirements established by grant agreements with the Illinois State Board of Education (ISBE) and other grantors in addition to the requirements established by ISBE's fiscal policies and procedures for grantees. Among these requirements are accurate, current, and complete disclosure of grant financial activity.

**Condition:**

For the Regional Safe Schools grant program, payroll accruals were reported on the grant expenditure report as being expended rather than obligated; these payroll costs ultimately were paid from unrestricted, non-grant funds, causing grant payroll costs to be overstated on the grant expenditure report.

**Effect:**

The expenditure report submitted to the grantor did not accurately reflect actual expenditures, resulting in a failure to comply with the grant requirement for accurate, current, and complete disclosure of financial results.

**Cause:**

Regional Office personnel were not aware of how to appropriately report grant obligations. The final grant expenditure report was not prepared using financial data from the Regional Office's accounting system.

**Auditor's Recommendation:**

The Regional Office should ensure that grant expenditure reports are prepared using current and accurate financial data based on reports obtained from the Regional Office's accounting system. Accrued expenditures should be reported as obligated rather than expended. The Regional Safe School final expenditure report should be amended to reflect actual grant expenditures.

**Management's Response:**

The Regional Office of Education #4 will ensure that grant expenditure reports are prepared using current and accurate financial data based on reports obtained from the Regional Office's accounting system. Accrued expenditures will be reported as obligated rather than expended.

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**SECTION III – FEDERAL AWARD FINDINGS**

**INSTANCES OF NONCOMPLIANCE:**

None

**SIGNIFICANT DEFICIENCIES:**

None

**MATERIAL WEAKNESSES:**

None



BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015

**Corrective Action Plan**

**Finding No. 2015-001 – Controls over Financial Statement Preparation**

**Condition:**

The Regional Office of Education #4 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP-based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, in their review of the Regional Office's accounting records, the auditors noted the following:

- The Regional Office's financial information required numerous adjusting entries to present the financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, unearned revenue, and prepaid expenses. While the Regional Office did maintain records to indicate the balances of accounts payable, accounts receivable, unearned revenue, and prepaid expenses and made entries to record them, not all accounts payable, accounts receivable, unearned revenue, and prepaid expenses were correctly recorded.
- The cash and activity of the Richard Fairgrievies Scholarship Fund were recorded and tracked independently of the Regional Office's accounting system.
- In addition, the Regional Office did not have adequate controls to record and report its net accrued pension liability/asset, deferred outflows and inflows of resources, and pension expense in accordance with GAAP. Proposed adjusting entries were approved and accepted by the Regional Office's management.

**Plan:**

The Regional Office of Education #4 accepts the degree of risk associated with this condition because the additional expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region. However, the Regional Office will continue to work with a Software Specialist to ascertain our accounting program is up to date and that our staff possesses the knowledge required to compile the necessary GAAP-based financial statements.

**Anticipated Date of Completion:**

Ongoing

**Contact Person Responsible for Corrective Action:**

Honorable Lori Fanello, Regional Superintendent of Schools

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015

**Corrective Action Plan (Continued)**

**Finding No. 2015-002 – Implementation of Internal Controls over Payroll**

**Condition:**

Five out of 20 (25%) employment agreements examined were not signed by a member of management.

**Plan:**

The Regional Office of Education #4 will ensure that all management is aware that (2) two signatures are required on each employment agreement. Signature lines will be added to the FY17 fiscal year agreements.

**Anticipated Date of Completion:**

June 30, 2016

**Contact Person Responsible for Corrective Action:**

Honorable Lori Fanello, Regional Superintendent of Schools

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015

**Corrective Action Plan (Continued)**

**Finding No. 2015-003 – Monitoring Capital Assets**

**Condition:**

The Regional Office's capital asset schedule did not include all current-year additions. Assets totaling \$9,401 were excluded from the asset schedule provided by the Regional Office.

**Plan:**

The Regional Office of Education #4 will work with each program director to ensure that their capital asset schedule is current and up to date. One individual will reconcile those records to the accounting records.

**Anticipated Date of Completion:**

June 30, 2016

**Contact Person Responsible for Corrective Action:**

Honorable Lori Fanello, Regional Superintendent of Schools

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015

**Corrective Action Plan (Concluded)**

**Finding No. 2015-004 – Noncompliance with Grant Requirements**

**Condition:**

For the Regional Safe Schools grant program, payroll accruals were reported on the grant expenditure report as being expended rather than obligated; these payroll costs ultimately were paid from unrestricted, non-grant funds, causing grant payroll costs to be overstated on the grant expenditure report.

**Plan:**

The Regional Office of Education #4 will ensure that grant expenditure reports are prepared using current and accurate financial data based on reports obtained from the Regional Office's accounting system. Accrued expenditures will be reported as obligated rather than expended.

**Anticipated Date of Completion:**

June 30, 2016

**Contact Person Responsible for Corrective Action:**

Honorable Lori Fanello, Regional Superintendent of Schools

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015

<b><u>Finding No.</u></b>	<b><u>Condition</u></b>	<b><u>Current Status</u></b>
2014-001	Controls over Financial Statement Preparation	Repeated as 2015-001

## MANAGEMENT'S DISCUSSION AND ANALYSIS

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015

The Boone/Winnebago Counties Regional Office of Education #4 (Regional Office of Education #4) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2015, with comparative information for the year ended June 30, 2014. Readers are encouraged to consider the information in conjunction with the Regional Office of Education #4's basic financial statements.

### **2015 Financial Highlights**

- Within the Governmental Funds, the General Fund revenues decreased by \$72,504 (2%) from \$3,276,208 in FY 2014 to \$3,203,704 in FY 2015. General Fund expenditures decreased by \$213,352 (6%) from \$3,697,412 in FY 2014 to \$3,484,060 in FY 2015.
- Within the Governmental Funds, the Special Revenue Fund revenues increased by \$629,198 (39%) from \$1,620,394 in FY 2014 to \$2,249,592 in FY 2015. The Special Revenue Fund expenditures increased by \$580,831 (36%) from \$1,626,148 in FY 2014 to \$2,206,979 in FY 2015.
- The Enterprise Fund revenues increased by \$13,466 (6%) from \$223,997 in FY 2014 to \$237,463 in FY 2015. The Enterprise Fund expenditures decreased by \$277,319 (63%) from \$436,952 in FY 2014 to \$159,633 in FY 2015.
- The Regional Office of Education #4 has \$28,400 of long-term debt related to a cost-sharing agreement for a leasehold improvement.

### **Using This Report**

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

- *Management's Discussion and Analysis* introduces financial statements and provides an analytical overview of the Regional Office of Education #4's financial activities.
- The *government-wide financial statements* consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Regional Office of Education #4 as a whole and present an overall view of the Regional Office of Education #4's finances.
- *Fund financial statements* report the Regional Office of Education #4's operations in more detail than the government-wide statements by providing information about the most significant funds.
- *Notes to the financial statements* provide additional information that is needed for a full understanding of the data provided in the basic financial statements.
- *Required supplementary information* further explains and supports the financial statements, and *other supplementary information* provides detailed information about the major and non-major funds.

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015

**Reporting the Boone/Winnebago Counties Regional Office of Education No. #4 as a Whole**

It is important to note that many grants are a cooperative effort of the Regional Office of Education #4, the DeKalb County Regional Office of Education #16, and the McHenry County Regional Office of Education #44. Therefore, these figures may reflect grants that are intended to serve Boone/Winnebago Counties only and grants that serve DeKalb County and McHenry County.

**The Statement of Net Position and the Statement of Activities**

The government-wide financial statements report information about the Regional Office of Education #4 as a whole. The Statement of Net Position includes all of the assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid, using generally accepted accounting principles and GASB 34.

The government-wide financial statements report the Regional Office of Education #4's net position and how it has changed. Net position—the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources—is one way to measure the Regional Office of Education #4's financial health or position.

- Over time, increases or decreases in net position can be an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Regional Office of Education #4's overall financial condition, additional nonfinancial factors, such as new laws, rules, regulations, and actions by officials at the State level, need to be considered.

The government-wide financial statements present the Regional Office of Education #4's activities as governmental and business-type activities. Local, State, and federal funds finance most of the governmental activities, while local workshops finance most of the business-type activities.

**Fund Financial Statements**

The fund financial statements provide detailed information about the Regional Office of Education #4's funds. Funds are accounting devices that allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by State law. The Regional Office of Education #4 established other funds to control and manage money for particular purposes.

The Office has three kinds of funds:

- (1) Governmental funds account for all of the Regional Office of Education #4'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 the 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 of Education #4's programs. The Regional Office of Education #4's Governmental Funds include the General Fund and the Special Revenue Funds.

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



BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015

- (2) Proprietary funds account for resources from fees charged directly to those entities or individuals that use its services. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by government-wide financial statements but with more detail for major and nonmajor enterprise funds. The proprietary funds' 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 are used to account for assets held by the Regional Office of Education #4 in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds' required financial statements include a Statement of Fiduciary Net Position.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve when examined over time as one indicator of the financial position of the Regional Office of Education #4. The net position at the end of FY 2015 and FY 2014 totaled \$1,196,974 and \$3,139,579, respectively. The analysis that follows provides a summary of the Regional Office of Education #4's net position as of June 30, 2015 and 2014.

**CONDENSED STATEMENT OF NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current assets	\$ 1,836,701	\$ 2,487,672	\$ 1,557,511	\$ 1,083,959	\$ 3,394,212	\$ 3,571,631
Noncurrent assets	301,987	281,025	5,599	-	307,586	281,025
Total assets	<u>2,138,688</u>	<u>2,768,697</u>	<u>1,563,110</u>	<u>1,083,959</u>	<u>3,701,798</u>	<u>3,852,656</u>
Deferred outflows of resources	154,070	-	-	-	154,070	-
Current liabilities	644,495	673,065	6,467	600	650,962	673,665
Noncurrent liabilities	607,511	39,412	-	-	607,511	39,412
Total liabilities	<u>1,252,006</u>	<u>712,477</u>	<u>6,467</u>	<u>600</u>	<u>1,258,473</u>	<u>713,077</u>
Deferred inflows of resources	1,400,421	-	-	-	1,400,421	-
Net position:						
Invested in capital assets	219,430	230,613	5,599	-	225,029	230,613
Restricted for educational purposes	295,766	159,402	-	-	295,766	159,402
Unrestricted	(874,865)	1,666,205	1,551,044	1,083,359	676,179	2,749,564
Total net position	<u>\$ (359,669)</u>	<u>\$ 2,056,220</u>	<u>\$ 1,556,643</u>	<u>\$ 1,083,359</u>	<u>\$ 1,196,974</u>	<u>\$ 3,139,579</u>

The Regional Office of Education #4's net position decreased by \$1,942,605 (62%) from FY 2014. The decrease was the result of recognizing a net pension liability and pension-related deferred inflows and outflows of resources totaling \$2,066,553 as a result of implementing GASB Statement No. 68, as described in Note 14 of the financial statements. Excluding the effect of this restatement, net position would have increased by \$123,948 (4%). Net position related to certain programs is considered restricted for educational purposes.

**BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**CHANGES IN NET POSITION**

The following analysis shows the changes in net position for the years ended June 30, 2015 and 2014.

	<u>CHANGES IN NET POSITION</u>					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Operating grants and contributions	\$ 1,763,820	\$ 1,423,549	\$ -	\$ -	\$ 1,763,820	\$ 1,423,549
General revenues:						
Local sources	1,102,501	989,320	-	-	1,102,501	989,320
State sources	1,743,163	946,920	-	-	1,743,163	946,920
On-behalf payments	1,542,875	1,524,550	-	-	1,542,875	1,524,550
Charges for services	-	-	237,463	223,997	237,463	223,997
Investment earnings	6,488	7,478	811	710	7,299	8,188
Total revenues	<u>6,158,847</u>	<u>4,891,817</u>	<u>238,274</u>	<u>224,707</u>	<u>6,397,121</u>	<u>5,116,524</u>
Expenses:						
Programs expenses:						
Salaries and benefits	3,127,972	2,545,109	29,213	181,960	3,157,185	2,727,069
Purchased services	797,692	821,435	121,390	234,744	919,082	1,056,179
Supplies and materials	248,893	136,311	7,789	11,335	256,682	147,646
Other objects	75,016	3,738	120	187	75,136	3,925
Payments to other governments	448,012	143,965	-	8,726	448,012	152,691
Depreciation	39,104	31,533	1,121	-	40,225	31,533
Pension expense (income)	(166,024)	-	-	-	(166,024)	-
Administrative expenses:						
On-behalf payments	1,542,875	1,524,550	-	-	1,542,875	1,524,550
Total expenses	<u>6,113,540</u>	<u>5,206,641</u>	<u>159,633</u>	<u>436,952</u>	<u>6,273,173</u>	<u>5,643,593</u>
Other financing sources (uses):						
Operating transfers	(394,643)	(1,010)	394,643	1,010	-	-
Changes in net position	(349,336)	(315,834)	473,284	(211,235)	123,948	(527,069)
Net position, beginning of year, restated	(10,333)	2,372,054	1,083,359	1,294,594	1,073,026	3,666,648
Net position, end of year	<u>\$ (359,669)</u>	<u>\$ 2,056,220</u>	<u>\$ 1,556,643</u>	<u>\$ 1,083,359</u>	<u>\$ 1,196,974</u>	<u>\$ 3,139,579</u>

**Governmental Activities**

Revenues for governmental activities were \$6,158,847, and expenses were \$6,113,540. The increase in revenues of \$1,267,030 (26%) and increase in expenditures of \$906,899 (17%) is due to an increase in local and State revenues, especially because it was the first year we could recover General State Aid for our Belvidere STAR program. Expenses were proportionately increased to meet the funding level.

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015

**Business-Type Activities**

Revenues for business-type activities were \$238,274 and expenditures were \$159,633. The decrease in expenditures of \$277,319 (63%) was the result of the decrease in the number of workshops offered and the professional development offerings through Statewide Foundational Services that are “no charge” to participants.

**Financial Analysis of the Regional Office of Education #4 Funds**

As previously noted, the Regional Office of Education #4 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Regional Office of Education #4's Governmental Funds reported combined fund balances of \$1,199,709, a decrease of \$625,898 (34%) from FY 2014.

**Governmental Fund Highlights**

The General Assembly and the Illinois State Board of Education (ISBE) continue to increase the responsibilities of the Regional Offices of Education without providing timely payment and any additional resources.

**Proprietary Fund Highlights**

Total proprietary fund net position increased by \$473,284 (44%), from \$1,083,359 in FY 2014 to \$1,556,643 in FY 2015. The increase resulted from better allocations of our available funds.

**Budgetary Highlights**

The Regional Office of Education #4 annually adopts budgets for several funds. The budgets for the General Fund accounts and Kishwaukee Intermediate Delivery Systems (KIDS) accounts are prepared by the Regional Superintendent and serve as a guideline for activities and expenditures. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the County Boards for their approval. The Office Operations Budget covers a fiscal year which runs from October 1 to September 30. All grant budgets are prepared by the Regional Office of Education #4 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency.

**Capital Assets**

The Regional Office of Education #4's capital assets include office equipment, computers, audiovisual equipment, and office furniture. The Regional Office of Education #4 maintains an inventory of capital assets which have been accumulated over time. In FY 2015, total additions were \$23,629. Depreciation expense for FY 2015 was \$40,225. See Note 10 to the financial statements for additional information about the Regional Office's capital assets.

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015

**Economic Factors and Next Year's Budget**

At the time these financial statements were prepared and audited, the Regional Office of Education #4 was aware of several existing circumstances that could affect its financial condition in the future:

- The lack of approval of a State budget will have a significant, negative effect on our budget.
- The proposed State aid foundation level for FY 2016 has stayed level at \$6,119 per student.
- County board fiscal support for Regional Office of Education #4 is expected to decrease due to countywide cuts during FY 2016.
- The student growth in the region is declining.
- The interest rate on investments continues to remain low but is staying level.

**Contacting the Regional Office's Financial Management**

This financial report is designed to provide the Regional Office of Education #4's citizens, taxpayers, clients, and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the Regional Office of Education #4 at 300 Heart Blvd., Loves Park, IL 61111.

## BASIC FINANCIAL STATEMENTS

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 1,879,656	\$ 1,183,763	\$ 3,063,419
Accounts receivable	4,570	240	4,810
Due (to)/from other funds	(373,508)	373,508	-
Due from other governments:			
Local	14,278	-	14,278
State	36,654	-	36,654
Federal	258,593	-	258,593
Prepaid expenditures	16,458	-	16,458
Total Current Assets	<u>1,836,701</u>	<u>1,557,511</u>	<u>3,394,212</u>
Noncurrent Assets:			
Capital assets, net of depreciation	258,830	5,599	264,429
Net pension asset	43,157	-	43,157
Total Noncurrent Assets	<u>301,987</u>	<u>5,599</u>	<u>307,586</u>
<b>TOTAL ASSETS</b>	<u>2,138,688</u>	<u>1,563,110</u>	<u>3,701,798</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>154,070</u>	<u>-</u>	<u>154,070</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	7,100	5,554	12,654
Accrued salaries and benefits	267,564	913	268,477
Due to other governments:			
Local	13,196	-	13,196
State	32,007	-	32,007
Unearned revenue	313,628	-	313,628
Current portion of long-term liability	11,000	-	11,000
Total Current Liabilities	<u>644,495</u>	<u>6,467</u>	<u>650,962</u>
Noncurrent Liabilities:			
Long-term liability	28,400	-	28,400
Net pension liability	579,111	-	579,111
Total Noncurrent Liabilities	<u>607,511</u>	<u>-</u>	<u>607,511</u>
<b>TOTAL LIABILITIES</b>	<u>1,252,006</u>	<u>6,467</u>	<u>1,258,473</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>1,400,421</u>	<u>-</u>	<u>1,400,421</u>
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	219,430	5,599	225,029
Restricted for educational purposes	295,766	-	295,766
Unrestricted	(874,865)	1,551,044	676,179
<b>TOTAL NET POSITION (DEFICIT)</b>	<u>\$ (359,669)</u>	<u>\$ 1,556,643</u>	<u>\$ 1,196,974</u>

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

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary Government:						
Governmental Activities:						
Instructional Services:						
Salaries and benefits	\$ 3,127,972	\$ -	\$ 895,654	\$ (2,232,318)	\$ -	\$ (2,232,318)
Purchased services	797,692	-	279,042	(518,650)	-	(518,650)
Supplies and materials	248,893	-	16,964	(231,929)	-	(231,929)
Other objects	75,016	-	147	(74,869)	-	(74,869)
Depreciation expense	39,104	-	-	(39,104)	-	(39,104)
Capital outlay	-	-	16,909	16,909	-	16,909
Payments to other governments	448,012	-	555,104	107,092	-	107,092
Pension expense (income)	(166,024)	-	-	166,024	-	166,024
Administrative:						
On-behalf payments - Local	562,407	-	-	(562,407)	-	(562,407)
On-behalf payments - State	980,468	-	-	(980,468)	-	(980,468)
Total Governmental Activities	<u>6,113,540</u>	<u>-</u>	<u>1,763,820</u>	<u>(4,349,720)</u>	<u>-</u>	<u>(4,349,720)</u>
Business-Type Activities:						
Charges for services	159,633	237,463	-	-	77,830	77,830
Total Business-Type Activities	<u>159,633</u>	<u>237,463</u>	<u>-</u>	<u>-</u>	<u>77,830</u>	<u>77,830</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 6,273,173</u>	<u>\$ 237,463</u>	<u>\$ 1,763,820</u>	<u>(4,349,720)</u>	<u>77,830</u>	<u>(4,271,890)</u>
<b>GENERAL REVENUES:</b>						
Local sources				1,102,501	-	1,102,501
State sources				1,743,163	-	1,743,163
On-behalf payments - Local				562,407	-	562,407
On-behalf payments - State				980,468	-	980,468
Transfers in (out)				(394,643)	394,643	-
Investment earnings				6,488	811	7,299
Total General Revenues and Transfers				<u>4,000,384</u>	<u>395,454</u>	<u>4,395,838</u>
<b>CHANGE IN NET POSITION</b>				<u>(349,336)</u>	<u>473,284</u>	<u>123,948</u>
<b>NET POSITION (DEFICIT) - BEGINNING,</b> Restated (See Note 14)				<u>(10,333)</u>	<u>1,083,359</u>	<u>1,073,026</u>
<b>NET POSITION (DEFICIT) - ENDING</b>				<u>\$ (359,669)</u>	<u>\$ 1,556,643</u>	<u>\$ 1,196,974</u>

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

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General Fund	Education Fund	Nonmajor Special Revenue Funds	Eliminations	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,087,298	\$ 550,425	\$ 241,933	\$ -	\$ 1,879,656
Accounts receivable	-	-	4,570		4,570
Due from other funds	67,104	-	-	(14,959)	52,145
Due from other governments:					
Local	12,659	-	1,619	-	14,278
State	-	36,654	-	-	36,654
Federal	-	258,593	-	-	258,593
Prepaid expenditures	16,458	-	-	-	16,458
<b>TOTAL ASSETS</b>	<b>\$ 1,183,519</b>	<b>\$ 845,672</b>	<b>\$ 248,122</b>	<b>\$ (14,959)</b>	<b>\$ 2,262,354</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 2,264	\$ 4,836	\$ -	\$ -	\$ 7,100
Accrued salaries and benefits	178,647	88,457	460	-	267,564
Due to other funds	52,011	388,601	-	(14,959)	425,653
Due to other governments:					
Local	-	13,196	-	-	13,196
State	-	32,007	-	-	32,007
Unearned revenue	-	313,628	-	-	313,628
Total Liabilities	<u>232,922</u>	<u>840,725</u>	<u>460</u>	<u>(14,959)</u>	<u>1,059,148</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	-	3,497	-	-	3,497
<b>FUND BALANCE (DEFICIT)</b>					
Nonspendable	16,458	-	-	-	16,458
Restricted	-	6,354	247,662	-	254,016
Assigned	722,732	-	-	-	722,732
Unassigned	211,407	(4,904)	-	-	206,503
Total Fund Balance (Deficit)	<u>950,597</u>	<u>1,450</u>	<u>247,662</u>	<u>-</u>	<u>1,199,709</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE (DEFICIT)</b>	<b>\$ 1,183,519</b>	<b>\$ 845,672</b>	<b>\$ 248,122</b>	<b>\$ (14,959)</b>	<b>\$ 2,262,354</b>

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



BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

TOTAL FUND BALANCES — GOVERNMENTAL FUNDS \$ 1,199,709

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 258,830

Some revenues will not be collected for several months after the Regional Office's fiscal year ends; they are not considered "available" revenues and are deferred in the governmental funds.  
Federal sources 3,497

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 43,157

Pension-related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and therefore are not reported in the governmental funds as follows:

Deferred outflows of resources	\$ 154,070	
Deferred inflows of resources	<u>(1,400,421)</u>	(1,246,351)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Capital lease payable	\$ (39,400)	
TRS net pension liability	<u>(579,111)</u>	<u>(618,511)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (359,669)

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Education Fund	Nonmajor Special Revenue Funds	Eliminations	Total Governmental Funds
<b>REVENUES</b>					
Local sources	\$ 679,034	\$ 254,716	\$ 168,751	\$ -	\$ 1,102,501
On-behalf payments - Local	562,407	-	-	-	562,407
State sources	1,593,877	965,688	2,036	-	2,561,601
On-behalf payments - State	284,902	-	-	-	284,902
Federal sources	83,484	858,401	-	-	941,885
Total Revenues	<u>3,203,704</u>	<u>2,078,805</u>	<u>170,787</u>	<u>-</u>	<u>5,453,296</u>
<b>EXPENDITURES</b>					
Instructional Services:					
Salaries and benefits	2,090,075	1,012,971	24,926	-	3,127,972
Pension expense	42,952	67,850	7,422	-	118,224
Purchased services	262,107	506,113	29,472	-	797,692
Supplies and materials	220,825	17,924	10,144	-	248,893
Other objects	226	70,426	4,364	-	75,016
Payments to other governments	153	447,859	-	-	448,012
On-behalf payments - Local	562,407	-	-	-	562,407
On-behalf payments - State	284,902	-	-	-	284,902
Capital outlay	20,413	7,508	-	-	27,921
Total Expenditures	<u>3,484,060</u>	<u>2,130,651</u>	<u>76,328</u>	<u>-</u>	<u>5,691,039</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(280,356)</u>	<u>(51,846)</u>	<u>94,459</u>	<u>-</u>	<u>(237,743)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	49,132	-	(49,132)	-
Transfers out	(440,959)	(2,816)	-	49,132	(394,643)
Interest income	5,707	626	155	-	6,488
Total Other Financing Sources (Uses)	<u>(435,252)</u>	<u>46,942</u>	<u>155</u>	<u>-</u>	<u>(388,155)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(715,608)</u>	<u>(4,904)</u>	<u>94,614</u>	<u>-</u>	<u>(625,898)</u>
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>	<u>1,666,205</u>	<u>6,354</u>	<u>153,048</u>	<u>-</u>	<u>1,825,607</u>
<b>FUND BALANCE (DEFICIT) - ENDING</b>	<u>\$ 950,597</u>	<u>\$ 1,450</u>	<u>\$ 247,662</u>	<u>\$ -</u>	<u>\$ 1,199,709</u>

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

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

NET CHANGE IN FUND BALANCES — GOVERNMENTAL FUNDS \$ (625,898)

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

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

Capital outlay	\$ 27,921	
Depreciation expense	<u>(39,104)</u>	(11,183)

Some revenues will not be collected for several months after the Regional Office fiscal year ends; they are considered "unavailable" revenues and are deferred inflows of resources in the governmental funds.

Current year unavailable revenue		
Federal sources		3,497

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

Pension contributions	\$ 118,224	
Cost of benefits earned, net	<u>166,024</u>	<u>284,248</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (349,336)

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Business-Type Activities Enterprise Funds		
	Local Workshops	Nonmajor Enterprise Funds	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,152,519	\$ 31,244	\$ 1,183,763
Accounts receivable	-	240	240
Due from other funds	425,653	-	425,653
Total current assets	1,578,172	31,484	1,609,656
Noncurrent assets:			
Capital assets, net of depreciation	5,599	-	5,599
TOTAL ASSETS	1,583,771	31,484	1,615,255
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	4,154	1,400	5,554
Accrued salaries and benefits	913	-	913
Due to other funds	52,145	-	52,145
TOTAL LIABILITIES	57,212	1,400	58,612
<b>NET POSITION</b>			
Investment in capital assets	5,599	-	5,599
Unrestricted	1,520,960	30,084	1,551,044
TOTAL NET POSITION	\$ 1,526,559	\$ 30,084	\$ 1,556,643

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

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
	Local Workshops	Nonmajor Enterprise Funds	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 208,121	\$ 29,342	\$ 237,463
Total Operating Revenues	208,121	29,342	237,463
<b>OPERATING EXPENSES</b>			
Salaries and benefits	9,965	19,248	29,213
Purchased services	118,128	3,262	121,390
Supplies and materials	7,789	-	7,789
Other objects	120	-	120
Depreciation	1,121	-	1,121
Total Operating Expenses	137,123	22,510	159,633
<b>OPERATING INCOME (LOSS)</b>	70,998	6,832	77,830
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Transfers in	394,803	-	394,803
Transfers out	-	(160)	(160)
Interest income	756	55	811
Total Nonoperating Revenue (Expense)	395,559	(105)	395,454
<b>CHANGE IN NET POSITION</b>	466,557	6,727	473,284
<b>TOTAL NET POSITION - BEGINNING</b>	1,060,002	23,357	1,083,359
<b>TOTAL NET POSITION - ENDING</b>	\$ 1,526,559	\$ 30,084	\$ 1,556,643

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

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
	Local Workshops	Nonmajor Enterprise Funds	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 208,121	\$ 30,027	\$ 238,148
Payments to suppliers and providers of goods and services	(122,349)	(1,862)	(124,211)
Payments to employees	(9,052)	(19,248)	(28,300)
Net Cash Provided by (Used for) Operating Activities	<u>76,720</u>	<u>8,917</u>	<u>85,637</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(6,720)	-	(6,720)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(6,720)</u>	<u>-</u>	<u>(6,720)</u>
Cash Flows from Noncapital Financing Activities:			
Cash transfers from (to) other funds	394,803	(160)	394,643
Payments for interfund borrowing, net	(211,963)	-	(211,963)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>182,840</u>	<u>(160)</u>	<u>182,680</u>
Cash Flows from Investing Activities:			
Interest income	756	55	811
Net Cash Provided by Investing Activities	<u>756</u>	<u>55</u>	<u>811</u>
Net Increase (Decrease) in Cash and Cash Equivalents	253,596	8,812	262,408
Cash and cash equivalents - Beginning	<u>898,923</u>	<u>22,432</u>	<u>921,355</u>
Cash and cash equivalents - Ending	<u>\$ 1,152,519</u>	<u>\$ 31,244</u>	<u>\$ 1,183,763</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ 70,998	\$ 6,832	\$ 77,830
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation expense	1,121	-	1,121
(Increase) decrease in assets:			
(Increase) decrease in accounts receivable	-	685	685
Increase (decrease) in liabilities:			
Increase (decrease) in accounts payable	3,688	1,400	5,088
Increase (decrease) in accrued salaries and benefits	913	-	913
Net Cash Provided by (Used for) Operating Activities	<u>\$ 76,720</u>	<u>\$ 8,917</u>	<u>\$ 85,637</u>

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

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 429,352
Due from other governments	<u>1,136,368</u>
Total Assets	<u><u>\$ 1,565,720</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 3,981
Accrued salaries and benefits	15,314
Due to other governments	<u>1,546,425</u>
Total Liabilities	<u><u>\$ 1,565,720</u></u>

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

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Boone/Winnebago Counties Regional Office of Education #4 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

In 2015, the Regional Office of Education #4 implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The Regional Office of Education #4 implemented these standards during the current year. The implementation of GASB Statement No. 68 established new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position was expected to include a significant liability for the government's proportionate share of employee pension plan. The implementation of GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The implementation of GASB Statement No. 71 resolves an issue related to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

A. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through March 9, 2016, the date when the financial statements were available to be issued.

B. FINANCIAL REPORTING ENTITY

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



BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FINANCIAL REPORTING ENTITY (Concluded)

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #4's districts; providing township treasurers with a list of district treasurers; inspecting and approving building plans which comply with State law; performing and reporting on annual building inspections; investigating bus drivers for valid bus driver permits and taking related action as may be required; maintaining a list of unfilled teaching positions; and carrying out other related duties required or permitted by law.

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

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

For the period ended June 30, 2015, the Regional Office of Education #4 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 #4. Such activities are reported as a single special revenue fund (Education Fund).

C. SCOPE OF THE REPORTING ENTITY

The Regional Office of Education #4's reporting entity includes all related organizations for which it exercises oversight responsibility.

The Regional Office of Education #4 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the region, including districts or joint agreements which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the Regional Office of Education #4 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.

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SCOPE OF THE REPORTING ENTITY (Concluded)

The districts and joint agreements, other than the two agreements detailed below, 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 #4 does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education #4 is not aware of any entity that would exercise such oversight as to result in the Regional Office of Education #4 being considered a component unit of the entity.

On July 1, 1995, the Regional Office of Education #4 entered into an intergovernmental agreement executed pursuant to the provisions of the Intergovernmental Cooperation Clause of the Illinois Constitution as well as the provisions of the Intergovernmental Cooperation Act of 1973 and the Illinois Admin. Code 525.110. The name of the Educational Service delivery system formed is known as the Kishwaukee Intermediate Delivery Systems (KIDS). Membership in KIDS is made up of the following Regional Offices of Education: Boone/Winnebago, DeKalb, and McHenry. The Regional Office of Education #4 was designated as the administrative agent and has reported the activity of this agreement in their financial statements as a blended component unit.

On July 1, 1999, the Regional Office of Education #4 entered into an intergovernmental agreement with several participating school districts of the region pursuant to the provisions of the Intergovernmental Cooperation Clause of the Illinois Constitution and the provisions of the Intergovernmental Cooperation Act of 1973 to form an alternative school known as the Boone-Winnebago Regional Alternative School. Membership in the Regional Alternative School is extended to all public school districts in the region, and any school district desiring to participate may petition the Regional Alternative School Board to join. Membership is on a year-to-year basis. The Regional Alternative School Board is composed of the superintendent of each participating district and the Regional Superintendent of Schools. The Regional Superintendent was designated as the administrative, legal, and fiscal agent of the Regional Alternative School, and the Regional Office has reported the activity of this agreement in their financial statements as a blended component unit.

D. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Regional Office of Education #4's activities, with most of the interfund activities removed. Governmental activities include programs supported primarily by State and federal grants and other intergovernmental revenues. The Regional Office of Education has three business-type activities that rely on fees and charges for support.

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The Regional Office of Education #4's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present a summary of governmental and business-type activities for the Regional Office of Education #4 accompanied by a total column. These statements are presented on an "economic resources" measurement focus as prescribed by GASB Statement No. 34. All of the Regional Office of Education #4's assets (including capital assets), deferred outflows of resources, liabilities, and deferred inflows of resources are included in the accompanying Statement of Net Position. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges for services and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function.

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

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.

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 resources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and business-type funds remain as due to/due from on the government-wide financial statements.

All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities. In the Statement of Activities, activities between governmental funds have been eliminated; however, transactions between governmental and business-type activities have not been eliminated.

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Concluded)

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

E. 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 liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

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

F. GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

The governmental fund financial statements have been prepared in accordance with generally accepted accounting principles on the modified accrual basis. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues received more than 60 days after the end of the current period are deferred 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.

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. GOVERNMENTAL FUND FINANCIAL STATEMENTS (Concluded)

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. The reported fund balance (net current assets) is considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Regional Office of Education #4; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Under the terms of grant agreements, Boone/Winnebago Counties Regional Office of Education #4 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding resources available to finance the program. It is the Regional Office of Education #4’s policy to first apply restricted funds, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned if any.

G. FUND ACCOUNTING

The Regional Office of Education #4 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 #4 uses governmental, proprietary, and fiduciary funds.

GOVERNMENTAL FUNDS

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

BOONE/WINNEBAGO COUNTIES  
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JUNE 30, 2015

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), liabilities (including deferred inflows), 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), liabilities (including deferred inflows), 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 #4 has presented all major funds that met the above qualifications.

The Regional Office of Education #4 reports the following major governmental funds:

General Fund – The General Fund is the operating fund of the Regional Office of Education #4. It is used to account for the expenditures that benefit all school districts in the Region except those required to be accounted for in other funds. General Funds include the following:

Audiovisual Co-op – This fund accounts for monies received and disbursed by the Regional Superintendent as administrative agent for the Boone/Winnebago Audiovisual Co-op.

Credit Recovery – This fund accounts for monies received for and in payment of expenditures in connection with a program that allows students who have previously failed classes an opportunity to capture credits toward graduation.

Educational Service Center No. 1 – This fund accounts for resources used to support the activities of the Educational Service Center No. 1.

General Operations – This fund accounts for monies received for and in payment of expenditures in connection with general administrative activities.

Payroll – This fund accounts for all payroll costs incurred by the Regional Office of Education #4. Any fund that has payroll remits the money to the Payroll Fund as administering agent, which then disburses payments to employees, vendors, and payroll taxing authorities.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

General Fund (Concluded)

Regional Alternative School – General State Aid (GSA) – This program accounts for grant monies received for and in payment of expenditures for the general operations of the Regional Alternative School.

Regional Learning Center – General State Aid (GSA) – This program accounts for grant monies received for and in payment of expenditures for the general operations of the Regional Learning Center.

Standards Aligned Classroom – This program accounts for monies received for and in payment of expenditures for teams that develop curricula aligned with the Illinois Academic Standards.

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

McKinney-Vento Homeless Children and Youth – This program accounts for grant monies received and expended assisting school districts in identifying and providing assistance to at-risk students. This program offers services to homeless children and youth primarily who are of school age. Preschool-aged children also receive services to ensure access to early childhood and preschool programs.

Principal Mentoring – This program accounts for monies received from the Illinois Principals Association for expenditures incurred to ensure that every new principal in the Region receives a high-quality mentoring experience from trained mentors.

Regional Safe Schools – This program accounts for grant monies received for and in payment of expenditures for activities for disruptive students who are eligible for suspension or expulsion.

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

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

Major Special Revenue Funds (Continued)

Education Fund (Continued)

Raising Student Achievement Conference – This fund was established to account for revenues received and expenses incurred in offering professional development in targeted curricular areas that focuses on improving classroom teaching practices in order to raise student achievement.

Social Studies and Fine Arts – This program accounts for monies received for and in payment of expenditures incurred for two task forces to review and develop new social studies and arts education standards and to make recommendations to the Illinois State Board of Education regarding their adoption and implementation.

Technology for Success – This program accounts for monies received for and in payment of expenditures incurred to create and support ongoing learning team focused on alignment of classroom-level assessment and instruction.

Title I – School Improvement & Accountability – The Illinois State Board of Education Quality Assurance Process consists of an external visit to audit each school every few years and an internal review that each school must conduct annually. The Regional Office of Education #4 is charged with supporting and guiding schools through this complex school improvement process so that teaching and learning improve every year.

Title II – Teacher Quality – This program accounts for grant monies received for and in payment of expenditures for activities that aim to increase student academic achievement through strategies such as improving teacher and principal quality; increasing the number of highly qualified teachers, principals, and assistant principals in the schools; and holding local educational agencies and schools accountable for improvements in student academic achievement.

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



BOONE/WINNEBAGO COUNTIES  
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Concluded)

Major Special Revenue Funds (Concluded)

Education Fund (Concluded)

Truants Alternative – This program accounts for grant monies received for and in payment of expenditures for optional education opportunities to school dropouts, potential dropouts, and truants of the Region.

Nonmajor Special Revenue Funds

General Education Development (GED) – Illinois law requires the Regional Superintendent of Schools of each county or counties to administer the GED test. Testing fees are used for test administration, testing materials, and diplomas on successful completion of the test.

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

Supervisory – This fund was developed by the General Assembly to help support the day-to-day activities of the Regional Superintendent.

Testing Center – This fund is used to account for activity provided from the new testing center operated by the Regional Office of Education #4.

Richard Fairgrievies Scholarship Fund – This fund is used to track the activity of the scholarship fund that was established by family and friends of Dr. Fairgrievies.

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

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NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. FUND ACCOUNTING (Concluded)

PROPRIETARY FUNDS

Proprietary Funds – Proprietary funds account for revenues and expenses related to services provided to organizations inside the Region on a cost-reimbursement basis. The Regional Office of Education #4 reports the following major proprietary fund:

Local Workshops – This enterprise fund tracks revenues received and expenses incurred in offering professional development workshops for teachers and administrators and other services for the school districts in Boone and Winnebago Counties.

The Regional Office of Education #4 reports the following nonmajor proprietary funds:

Global Education – This enterprise fund accounts for monies received and expended for conferences conducted for improvement of education for administrators and business community leaders.

Fingerprinting – This enterprise fund accounts for the activity to provide fingerprinting services for background checks for school district personnel.

FIDUCIARY FUNDS

Agency Funds – Agency funds are used to account for assets held by the Regional Office of Education #4 in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Regional Office of Education #4 reports the following agency funds:

Career Education Associates of North Central Illinois (CEANCI) – This fund accounts for the assets held by the Regional Office of Education #4 for the benefit of Career Education Associates of North Central Illinois (CEANCI), an intergovernmental agreement between the Belvidere, Byron, Harlem, Hononegah, North Boone, Oregon, Rockford, South Beloit, Stillman Valley, and Winnebago school districts for the purpose of directing the region's career and technical education programs. The policy-making CEANCI Board of Governors is composed of the school district superintendents. The Regional Office of Education #4 serves as the administrative agent.

Boone County School Facility Occupation Tax – This fund accounts for the School Facility Occupation Tax receipts and distributions to the Boone County school districts. This tax is collected by the State on behalf of Boone County and remitted to the Regional Office for distribution to the Boone County school districts.

BOONE/WINNEBAGO COUNTIES  
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JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. GOVERNMENTAL FUND BALANCES

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

Nonspendable Fund Balance – The portion of a governmental fund’s net position that is not available to be spent, either short term or long term, due to either its form or legal restrictions. The General Fund’s Regional Learning Center – GSA program has a nonspendable fund balance made up of prepaid expenditures.

Restricted Fund Balance – The portion of a governmental fund’s net position that is subject to external enforceable legal restrictions. The following programs’ fund balances are restricted by grant agreements, contracts, or donor restrictions: Principal Mentoring and Richard Fairgrievies Scholarship Fund. The following fund balances are restricted by Illinois Statute: General Education Development, Bus Driver Training, Supervisory, Testing Center, and Institute.

Committed Fund Balance – The portion of a governmental fund’s net position with self-imposed constraints or limitations that have been placed at the highest level of decision making. The Regional Office of Education #4 has no committed fund balances.

Assigned Fund Balance – The portion of a governmental fund’s net position for which an intended use of resources has been denoted. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The Regional Office of Education #4 has assigned fund balances in the General Fund’s Audiovisual Co-op, Credit Recovery, Educational Service Center No. 1, Regional Alternative School - GSA, and Standards Aligned Classroom programs.

Unassigned Fund Balance – Available expendable financial resources in a governmental fund that are not designated for a specific purpose. The unassigned fund balance is made up of the General Fund’s General Operations and Regional Learning Center - GSA accounts and the Education Fund’s Social Studies and Fine Arts and Title I – School Improvement & Accountability accounts.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. NET POSITION

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

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

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

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

J. CASH AND CASH EQUIVALENTS

The Boone/Winnebago Counties Regional Office of Education #4's cash and cash equivalents are considered to be demand deposits and short-term investments. All interest income is recognized as revenue in the appropriate fund's Statement of Revenues, Expenditures, and Changes in Fund Balances.

K. ESTIMATES

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

L. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$500 (\$5,000 in fiscal year 2012 and earlier) or more and estimated useful lives of greater than five years are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. CAPITAL ASSETS (Concluded)

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

Equipment and Furniture	5-10 years
Computer Equipment	5-10 years
Leasehold Improvements	15 years

M. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

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

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

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

N. COMPENSATED ABSENCES

Noncertified employees who work 12 calendar months can earn up to 25 vacation days for a full year of service. In the event that a program terminates, no vacation days will be honored past the ending date of the program. Certified employees do not earn vacation days. A noncertified employee may request that a maximum of 25 days of unused vacation be carried over to the next fiscal year. The Regional Office did not grant any such requests at June 30, 2015; therefore no vacation accruals have been made.

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

N. COMPENSATED ABSENCES (Concluded)

Employees receive up to 10 sick days annually and the unused portion is accumulated up to 180 days and carried forward. Employee sick leave is recorded when paid. Upon termination, employees do not receive any accumulated sick leave pay, and therefore, no liability is accrued (however, the balance is applied to service time for retirement plan purposes).

O. BUDGET INFORMATION

The Regional Office of Education #4 acts as the administrative agent for certain grant programs that are accounted for in the General and Education Funds. Certain programs have separate budgets and are required to report to the Illinois State Board of Education; however, none of the annual budgets have been legally adopted nor are they required to be. Certain programs within the General Fund and Special Revenue Funds do not have separate budgets. Comparisons of budgeted and actual results are presented as supplementary information. Budgetary comparison schedules have been provided in supplementary schedules for the following funds: McKinney-Vento Homeless Children and Youth, Regional Safe Schools, ROE/ISC Operations, Technology for Success, Title I – School Improvement & Accountability, Title II – Teacher Quality, Title II – Teacher Quality – Leadership, and Truants Alternative.

NOTE 2 – CASH AND CASH EQUIVALENTS

The Regional Office of Education #4 is permitted to invest in securities as authorized by 30 ILCS-235/2 and 6 and 105 ILCS-5/8-7. It is the policy of the Regional Office to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Regional Office and conforming to all State statutes governing the investment of public funds. This policy includes all funds under the care and control of the Regional Superintendent of Schools.

A. DEPOSITS

At June 30, 2015, the carrying amounts of the Regional Office of Education #4's government-wide fund and agency fund deposits were \$3,063,419 and \$429,352, respectively, and the bank balances were \$3,424,447 and \$425,515, respectively. Of the total bank balances as of June 30, 2015, \$250,000 was secured by federal depository insurance, \$3,427,588 was fully collateralized, and \$172,374 was invested in the Illinois Funds Money Market Fund.

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NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits with financial institutions is the risk that, in the event of bank failure, the Regional Office of Education #4's deposits may not be returned to it. To guard against custodial credit risk for deposits with financial institutions, the Regional Office of Education #4's investment policy requires that deposits with financial institutions in excess of FDIC limits be secured by some form of collateral, by a written agreement, and held at an independent, third-party institution in the name of the Regional Office of Education #4.

B. INVESTMENTS

The Regional Office of Education #4 has a formal investment policy that permits it to invest only in certain instruments, including, among others, securities guaranteed by the full faith and credit of the United States of America as to principal and interest; bonds, notes, and similar obligations of the United States of America; interest-bearing deposits or other direct obligations of any bank as defined by the Illinois Banking Act, 205 ILCS 5/1 et seq.; short-term obligations of U.S. corporations with assets exceeding \$500,000,000 if they are rated at the time of purchase at one of the three highest classifications by at least two standard rating services, if they do not exceed 10% of the corporation's outstanding obligations, and if no more than one-third of the Regional Office's funds are invested in commercial paper; and certain money market mutual funds registered under the Federal Investment Company Act of 1940, 14 U.S.C. 80a-1 et seq. As of June 30, 2015, the Regional Office of Education #4 had investments with carrying and fair values of \$172,374 invested in the Illinois Funds Money Market Fund.

CREDIT RISK

At June 30, 2015, the Illinois Funds Money Market Fund had a Standard and Poor's AAAM rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provision of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

CONCENTRATION OF CREDIT RISK

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

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NOTE 2 – CASH AND CASH EQUIVALENTS (Concluded)

INTEREST RATE RISK

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

NOTE 3 – LONG-TERM LIABILITIES

In 2013, the Regional Office of Education #4 entered into a shared-cost agreement with the Rockford Board of Education School District #205 in connection with a building that the Rockford School District leases to the Regional Office. Under this agreement, the Rockford School District and the Regional Office will share the cost of a building improvement, and the Regional Office will pay its share of the cost of the improvement over a five-year period. The Regional Office's share of the cost of the leasehold improvement is \$55,000. The Regional Office has recognized this leasehold improvement as a capital asset in the government-wide statements and has recognized \$28,400 of the \$39,400 unpaid portion of the cost as a long-term liability and \$11,000 as a current liability on the government-wide statements. Changes in the Regional Office's long-term liability for the year ended June 30, 2015, are as follows:

	Balance 7/1/2014	Increase	Decrease	Balance 6/30/2015
<u>Governmental activities</u>				
Shared-cost agreement	\$ 50,412	\$ -	\$11,012	\$39,400
Less current portion				<u>(11,000)</u>
Noncurrent portion				<u>\$28,400</u>

Maturities of long-term liabilities at June 30, 2015, were as follows:

2016	\$ 11,000
2017	11,000
2018	11,000
2019	<u>6,400</u>
	<u>\$ 39,400</u>



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NOTE 4 – DEFINED BENEFIT PENSION PLAN

**IMRF Plan Description**

The Regional Office of Education #4'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 #4's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of an agency multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section below. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

**Benefits Provided**

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

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

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

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

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NOTE 4 – DEFINED BENEFIT PENSION PLAN (Continued)

**Employees Covered by Benefit Terms**

As of December 31, 2014, the following employees were covered by the benefit terms:

	<b>IMRF</b>
Retirees and Beneficiaries currently receiving benefits	42
Inactive Plan Members entitled to but not yet receiving benefits	27
Active Plan Members	20
<b>Total</b>	<b>89</b>

**Contributions**

As set by statute, the Regional Office of Education #4’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 #4’s annual contribution rate for calendar year 2014 was 14.17%. For the calendar year ended 2014, the Regional Office of Education #4 contributed \$75,662 to the plan. The Regional Office of Education #4 also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF’s Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**Net Pension Liability**

The Regional Office of Education #4’s net pension liability was measured as of December 31, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

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

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 3.5%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.

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NOTE 4 – DEFINED BENEFIT PENSION PLAN (Continued)

- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

**Single Discount Rate**

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

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and

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NOTE 4 – DEFINED BENEFIT PENSION PLAN (Continued)

2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

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

**Changes in the Net Pension Liability**

	<b>Total Pension Liability (A)</b>	<b>Plan Fiduciary Net Position (B)</b>	<b>Net Pension Liability (Asset) (A) - (B)</b>
<b>Balances at December 31, 2013</b>	\$ 3,204,917	\$ 3,364,571	\$ (159,654)
<b>Changes for the year:</b>			
Service Cost	62,388	-	62,388
Interest on the Total Pension Liability	235,990	-	235,990
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	7,406	-	7,406
Changes of Assumptions	159,684	-	159,684
Contributions - Employer	-	75,662	(75,662)
Contributions - Employees	-	24,028	(24,028)
Net Investment Income	-	252,615	(252,615)
Benefit Payments, including Refunds of Employee Contributions	(184,346)	(184,346)	-
Other (Net Transfer)	-	(3,334)	3,334
Net Changes	281,122	164,625	116,497
<b>Balances at December 31, 2014</b>	<b>\$ 3,486,039</b>	<b>\$ 3,529,196</b>	<b>\$ (43,157)</b>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

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

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	<b>1% Lower 6.50%</b>	<b>Current Discount 7.50%</b>	<b>1% Higher 8.50%</b>
<b>Net Pension Liability</b>	\$ 351,455	\$ (43,157)	\$ (365,889)

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

For the year ending June 30, 2015, the Regional Office of Education #4 recognized pension expense of \$120,560. At June 30, 2015, the Regional Office of Education #4 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Amounts Related to Pensions</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ 3,274	\$ -
Changes of assumptions	70,595	-
Net difference between projected and actual earnings on pension plan investments	-	2,270
Total Deferred Amounts to be recognized in pension expense in future periods	73,869	2,270
Pension Contributions made subsequent to the Measurement Date	32,667	-
Total Deferred Amounts Related to Pensions	\$ 106,536	\$ 2,270

\$32,667 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, 2016. 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:

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NOTE 4 – DEFINED BENEFIT PENSION PLAN (Concluded)

Year Ending December 31	Net Deferred Outflows of Resources
2015	\$ 73,301
2016	(568)
2017	(568)
2018	(566)
2019	-
Thereafter	-
Total	\$ 71,599

NOTE 5 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

The Regional Office of Education #4 participates in the Teachers’ Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor’s approval. The TRS Board of Trustees is responsible for the System’s administration.

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

**Benefits provided**

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

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

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NOTE 5 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

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

**Contributions**

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

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2015, was 9.4 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the Regional Office of Education #4.

**On-behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #4. For the year ended June 30, 2015, State of Illinois contributions recognized by the Regional Office of Education #4 were based on the State’s proportionate share of the collective net pension liability associated with the Regional Office of Education #4, and the Regional Office of Education #4 recognized revenue and expenditures of \$695,566 in pension contributions from the State of Illinois.

**2.2 formula contributions.** Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2015 were \$12,489, and are deferred because they were paid after the June 30, 2014 measurement date.

**Federal and special trust fund contributions.** When TRS members are paid from federal and special trust funds administered by the Regional Office of Education #4, there is a statutory requirement for the Regional Office of Education #4 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the State contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

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NOTE 5 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

For the year ended June 30, 2015, the employer pension contribution was 33.00 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2015, salaries totaling \$105,474 were paid from federal and special trust funds that required employer contributions of \$34,806. These contributions are deferred because they were paid after the June 30, 2014, 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 #4 is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member’s age and salary. The maximum employer ERO contribution under the current program is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2015, the Regional Office of Education #4 paid no employer ERO contributions.

The Regional Office of Education #4 is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree’s final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2015, the Regional Office of Education #4 made no payments to TRS for employer contributions due on salary increases in excess of 6 percent and no payments for sick leave days granted in excess of the normal allotment.

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

At June 30, 2015, the Regional Office of Education #4 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 Regional Office of Education #4 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 Regional Office were as follow:

Employer’s proportionate share of the net pension liability	\$ 579,111
State’s proportionate share of the net pension liability associated with the employer	<u>\$ 8,639,438</u>
<b>Total</b>	<u><u>\$ 9,218,549</u></u>



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NOTE 5 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, and rolled forward to June 30, 2014. The Regional Office of Education #4’s proportion of the net pension liability was based on the employer’s share of contributions to TRS for the measurement year ended June 30, 2014, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2014, the employer’s proportion was .0009515725 percent.

The net pension liability as of the beginning of this first measurement period under GASB Statement No. 68 was measured as of June 30, 2013, and the total pension liability was based on the June 30, 2013, actuarial valuation without any roll-up. The Regional Office of Education #4’s proportion of the net pension liability as of June 30, 2013, was based on the Regional Office of Education #4’s share of contributions to TRS for the measurement year ended June 30, 2013, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2013, the employer’s proportion was .0036672332 percent.

For the year ended June 30, 2015, the Regional Office of Education #4 recognized pension expense of \$695,566 and revenue of \$695,566 for support provided by the State. For the year ended June 30, 2015, the Regional Office of Education #4 recognized pension income of \$286,584. At June 30, 2015, the Regional Office of Education #4 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 306	\$ -
Net difference between projected and actual earnings on pension plan investments	-	29,105
Change of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,369,046
Employer contributions subsequent to the measurement date	47,228	-
<b>Total</b>	<b>\$ 47,534</b>	<b>\$ 1,398,151</b>

\$47,228 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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NOTE 5 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

**Year ended June 30:**

2016	\$	(339,495)
2017	\$	(339,495)
2018	\$	(339,495)
2019	\$	(339,495)
2020	\$	(39,865)
	<u>\$</u>	<u>(1,397,845)</u>

**Actuarial assumptions**

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

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

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

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

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

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NOTE 5 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

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

**Discount rate**

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

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

**Sensitivity of the Regional Office of Education #4’s proportionate share of the net pension liability to changes in the discount rate**

The following presents the Regional Office of Education #4’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the employer’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability	\$ 715,173	\$ 579,111	\$ 466,435

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NOTE 5 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Concluded)

**TRS fiduciary net position**

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

NOTE 6 – TEACHER HEALTH INSURANCE SECURITY

The Regional Office of Education #4 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers’ Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the State-administered participating provider option plan or choose from several managed care options. Annuitants who are enrolled in Medicare Parts A and B may be eligible to enroll in Medicare Advantage plans.

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

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

**On-behalf contributions to the THIS Fund.** The State of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office of Education #4. State contributions are intended to match contributions to the THIS Fund from active members which were 1.02 percent of pay during the year ended June 30, 2015. State of Illinois contributions were \$20,877, and the Regional Office of Education #4 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2014 and 2013, were 0.97 and 0.92 percent of pay, respectively. State contributions on behalf of the Regional Office of Education #4 employees were \$17,655 and \$17,628, respectively.

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NOTE 6 – TEACHER HEALTH INSURANCE SECURITY (Concluded)

**Employer contributions to the THIS Fund.** The Regional Office of Education #4 also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.76 percent during the year ended June 30, 2015, and 0.72 and 0.69 percent during the years ended June 30, 2014 and 2013, respectively. For the year ended June 30, 2015, the Regional Office of Education #4 paid \$15,556 to the THIS Fund, which was 100 percent of the required contribution. For the years ended June 30, 2014 and 2013, the Regional Office paid \$13,104 and \$13,221 to the THIS Fund, respectively, which was 100 percent of the required contribution.

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

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE

The Regional Office of Education #4 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. Retirees pay the full cost of coverage.

Membership in the plan consisted of the following as of June 30, 2015, the date of the most recent actuarial valuation:

	<u>June 30, 2015</u>
Retirees and beneficiaries receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members fully eligible to retire	6
Active plan members not yet fully eligible to retire	9
Total	15
Number of participating employers	1

**Schedule of Funding Progress**

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE (Continued)

**Annual OPEB Cost and Net OPEB Obligation**

	<u>June 30, 2015</u>
Annual required contribution	\$ 3,859
Interest on net OPEB obligation	285
Adjustment to annual required contribution	<u>(413)</u>
Annual OPEB cost	3,731
Contributions made	<u>(1,293)</u>
Increase (decrease) in net OPEB obligation	2,438
Net OPEB obligation beginning of year	<u>7,137</u>
Net OPEB obligation end of year	<u><u>\$ 9,575</u></u>

The net OPEB liability was not recognized in the financial statements because it was immaterial.

**Three-Year Trend Information**

Fiscal Year <u>Ending</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2015	\$ 3,731	34.66%	\$ 9,575
6/30/2014	2,449	0.00%	7,137
6/30/2013	2,303	0.00%	4,688

**Annual Required Contribution**

	<u>June 30, 2015</u>
Service cost	\$ 2,679
Amortization	1,073
Interest	<u>107</u>
Annual required contribution	<u><u>\$ 3,859</u></u>

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NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE (Concluded)

**Actuarial Methods and Assumptions**

<i>Measurement Date</i>	June 30, 2015
<i>Data Collection Date</i>	June 30, 2015
<i>Participant Data</i>	Employee and retiree data was supplied by the plan sponsor as of the census date. Data on persons receiving benefits was supplied by the plan sponsor.
<i>Cost Method</i>	Entry Age Normal
<i>Valuation Method</i>	Alternative Measurement Method
<i>Asset Valuation Method</i>	Not applicable
<i>Benefits Not Included</i>	None
<i>Discount Rate</i>	4.00%
<i>Mortality</i>	Life expectancies used were from the CDC National Vital Statistics report for 2014 and were applied on a sex-distinct basis.
<i>Termination/Turnover Rates</i>	Default turnover assumptions based on paragraph 35b, Table 1, of GASB 45.
<i>Average Retirement Age</i>	Age 60 for Tier 1 IMRF employees Age 62 for Tier 2 IMRF employees
<i>Starting Per Capita Costs</i>	Monthly premium rates provided by the Regional Office of Education. Rates adjusted for implicit cost of covering retirees per the table provided for the Alternative Measurement Method in GASB 45. Under age 65: Retiree \$17,219, Spouse \$14,581 Age 65 & over: Retiree \$9,744, Spouse \$9,745
<i>Health Care Trend Rate</i>	Initial rate of 7.9% grading uniformly over 10 years to a 5.0% ultimate rate. The initial trend rate is based on the 2014 Segal Health Plan Cost Trend Survey.
<i>Retiree Contributions</i>	Under age 65: Retiree \$9,566, Spouse \$8,100 Age 65 & over: Retiree \$5,413, Spouse \$5,414
<i>Retiree Contribution Trend Rate</i>	Same as health care trend rates.
<i>Participation/Election Assumption</i>	20% of eligible active employees are assumed to elect retiree medical coverage at retirement.
<i>Spousal Coverage</i>	50%
<i>Retiree Lapse Rates</i>	100% of retirees receiving medical are expected to lapse coverage at age 65.

NOTE 8 – OPERATING LEASES

The Regional Office of Education #4 leases classroom and office space from various parties. During fiscal year 2015, the Regional Office of Education #4 leased the southeast wing, six additional rooms, and a storage area in the building at 100 Heart Boulevard, Loves Park, Illinois, from the City of Loves Park. The lease runs from August 1, 2011, to July 31, 2016; rent is \$3,800 per month.

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NOTE 8 – OPERATING LEASES (Concluded)

The Regional Office of Education #4 leased classrooms and office space from the Rockford Board of Education School District #205 located at 5949 Safford Road, Rockford, Illinois. The lease term is from June 1, 2013, to June 30, 2018; rent is \$6,041.66 per month.

The Regional Office of Education #4 also leased classrooms and office space from Rock Valley College located at 6279 28th Avenue, Rockford, Illinois. The lease ran from July 1, 2013, to June 30, 2014; rent was \$4,991 per year. The Regional Office has the option and intends to renew this lease for the upcoming fiscal year.

Rent expense for the year ended June 30, 2015, was \$123,091. Future minimum rentals are as follows for the years ending June 30:

2016	\$	118,100
2017		76,300
2018		72,500
2019 and thereafter		-
	<u>\$</u>	<u>266,900</u>

NOTE 9 – RISK MANAGEMENT

The Regional Office of Education #4 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 #4 has purchased commercial insurance to cover these risks. No losses have been incurred in excess of the amounts covered by insurance over the past three years.

NOTE 10 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the Regional Office of Education #4 has reported capital assets in the government-wide Statement of Net Position. Purchases are reported as capital outlay in the governmental fund statements when paid. Purchases of capital assets by business-type activities are capitalized when purchased. As discussed in Note 3, the Regional Office acquired a leasehold improvement asset with a cost of \$55,000 in FY14, of which \$39,400 is being financed by a shared-cost agreement that is recognized as a liability in the government-wide statements, \$4,588 was recognized as capital outlay in the governmental funds in prior years, and \$11,012 was recognized as capital outlay in the governmental funds in the current year. The following table provides a summary of changes in total assets, accumulated depreciation, and investment in capital assets for the year ended June 30, 2015:



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NOTE 10 – CAPITAL ASSETS (Concluded)

	<u>Balance</u> <u>7/1/2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2015</u>
Governmental Activities				
Capital Assets, Being Depreciated				
Computers and Equipment	\$ 441,739	\$ 16,909	\$ -	\$ 458,648
Leasehold Improvements	55,000	-	-	55,000
Less: Accumulated Depreciation	<u>(215,714)</u>	<u>(39,104)</u>	<u>-</u>	<u>(254,818)</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 281,025</u>	<u>\$ (22,195)</u>	<u>\$ -</u>	<u>\$ 258,830</u>
Business-Type Activities				
Capital Assets, Being Depreciated				
Computers and Equipment	\$ 5,298	\$ 6,720	\$ -	\$ 12,018
Less: Accumulated Depreciation	<u>(5,298)</u>	<u>(1,121)</u>	<u>-</u>	<u>(6,419)</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ -</u>	<u>\$ 5,599</u>	<u>\$ -</u>	<u>\$ 5,599</u>

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2015, of \$39,104 and \$1,121 was charged to the governmental activities instructional services function and business-type activities, respectively, on the government-wide Statement of Activities. Net investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation and related debt.

NOTE 11 – INTERFUND ACTIVITY

DUE TO/FROM OTHER FUNDS

Interfund due to/from other fund balances at June 30, 2015, consist of the following individual due to/from other funds in the Governmental Fund Balance Sheet and the Proprietary Funds Statement of Net Position. The balances between governmental funds, but not those between governmental and proprietary funds, were eliminated in the government-wide Statement of Net Position.

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 67,104	\$ 52,011
Education Fund	-	388,601
Proprietary Fund	425,653	52,145
Totals	<u>\$ 492,757</u>	<u>\$ 492,757</u>

BOONE/WINNEBAGO COUNTIES  
 REGIONAL OFFICE OF EDUCATION #4  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2015

NOTE 11 – INTERFUND ACTIVITY (Concluded)

TRANSFERS

Interfund transfers in/out to other fund balances at June 30, 2015, consist of the following individual transfers in/out to other funds in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position. The transfer balances between governmental funds, but not those between governmental and proprietary funds, were eliminated in the government-wide Statement of Activities.

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 440,959
Education Fund	49,132	2,816
Proprietary Fund	394,803	160
Totals	<u>\$ 443,935</u>	<u>\$ 443,935</u>

NOTE 12 – ON-BEHALF PAYMENTS

The State of Illinois paid the following salaries on behalf of the Regional Office of Education #4:

Regional Superintendent Salary	\$ 111,108
Assistant Regional Superintendent Salary	100,020
Regional Superintendent Benefits (Includes State-paid insurance)	26,778
Assistant Regional Superintendent Benefits (Includes State paid insurance)	26,119
Teachers' Health Insurance Security Contribution	<u>20,877</u>
Total	<u>\$ 284,902</u>

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent were 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.

Regional Office of Education #4 also recorded \$695,566 in revenue and expenses as on-behalf payments from ISBE for the Regional Office's share of the State's Teachers' Retirement System (TRS) pension expense in the Statement of Activities. In addition, the Regional Office of Education #4 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	\$ 284,902
ROE #4's share of TRS pension expense	<u>695,566</u>
Total	<u>\$ 980,468</u>

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 12 – ON-BEHALF PAYMENTS (Concluded)

Boone and Winnebago Counties provide the Regional Office with staff and pay certain expenditures on behalf of the Regional Office. The expenditures paid on the Regional Office of Education #4's behalf for the year ended June 30, 2015, were as follows:

Boone County	
Administrative support	\$ 89,775
IMRF/FICA	8,180
Workers' Compensation	1,138
Total Boone County	99,093
Winnebago County	
Salaries & benefits	305,788
Purchased services & supplies	157,526
Total Winnebago County	463,314
Total Local On-Behalf Payments	\$ 562,407

These amounts have been recorded in the accompanying financial statements as local revenue and expenditures.

NOTE 13 – DUE TO/FROM OTHER GOVERNMENTS

The Regional Office of Education #4's General Fund, Nonmajor Special Revenue Funds, Education Fund, and Agency Fund have funds due to/from various other governmental units which consist of the following:

Due from Other Governments:	
General Fund	
Local Governments	\$ 12,659
Nonmajor Special Revenue Funds	
Local Governments	1,619
Education Fund	
Illinois State Board of Education	258,593
Department of Human Services	36,654
Agency Funds	
Local Governments	704,787
Illinois State Board of Education	431,581
Total	\$ 1,445,893

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 13 – DUE TO/FROM OTHER GOVERNMENTS (Concluded)

Due to Other Governments:	
Education Fund	
Local Governments	\$ 13,196
Illinois State Board of Education	32,007
Agency Funds	
Local Governments	1,546,425
Total	<u><u>\$ 1,591,628</u></u>

NOTE 14 – RESTATEMENT

The Regional Office of Education #4 implemented GASB Statement No. 68 and consequently recognized deferred outflows of resources, deferred inflows of resources, and net pension liability in the current year. The net opening balance of deferred outflows of resources, deferred inflows of resources, and net pension liability was \$(2,066,553). Because these pension-related opening balances reflect pension 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 Net Position</u>	
Net Position - July 1, 2014	\$ 2,056,220
Effect of recognizing net deferred inflows of resources and net pension liability	<u>(2,066,553)</u>
Net Position, Restated - July 1, 2014	<u><u>\$ (10,333)</u></u>

NOTE 15 – 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 overexpend appropriations during the year are required to be disclosed. The following funds had fund deficits as of June 30, 2015:

<u>Fund</u>	<u>Amount</u>
Education Fund	
Social Studies and Fine Arts	\$ 1,407
Title I - School Improvement & Accountability	3,497

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

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY & RELATED RATIOS  
ILLINOIS MUNICIPAL RETIREMENT FUND  
CALENDAR YEAR 2014

Calendar Year Ended December 31,	<u>2014</u>
<b>Total Pension Liability</b>	
Service Cost	\$ 62,388
Interest on the Total Pension Liability	235,990
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience of the Total Pension Liability	7,406
Changes of Assumptions	159,684
Benefit Payments, including Refunds of Employee Contributions	(184,346)
<b>Net Change in Total Pension Liability</b>	<u>281,122</u>
<b>Total Pension Liability - Beginning</b>	<u>3,204,917</u>
<b>Total Pension Liability - Ending (A)</b>	<u><u>\$ 3,486,039</u></u>
 <b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 75,662
Contributions - Employees	24,028
Net Investment Income	252,615
Benefit Payments, including Refunds of Employee Contributions	(184,346)
Other (Net Transfer)	(3,334)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>164,625</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>3,364,571</u>
<b>Plan Fiduciary Net Position - Ending (B)</b>	<u><u>\$ 3,529,196</u></u>
 <b>Net Pension Liability (Asset) - Ending (A) - (B)</b>	<u><u>\$ (43,157)</u></u>
 <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	101.24%
 <b>Covered Valuation Payroll</b>	538,482
 <b>Net Pension Liability as a Percentage of Covered Valuation Payroll</b>	-8.01%

**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.

BOONE/WINNEBAGO COUNTIES  
 REGIONAL OFFICE OF EDUCATION #4  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 ILLINOIS MUNICIPAL RETIREMENT FUND  
 CALENDAR YEAR 2014

Calendar Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2014	\$ 72,964	\$ 75,662	\$ (2,698)	\$ 538,482	14.05%

**Notes to Schedule:**

*Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2014 Contribution Rate \**

**Valuation Date:**

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

**Methods and Assumptions Used to Determine 2014 Contribution Rates:**

<i>Actuarial Cost Method:</i>	Aggregate entry age = normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	29-year closed period
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	4%
<i>Price Inflation:</i>	3%, approximate; no explicit price inflation assumption is used in this valuation.
<i>Salary Increases:</i>	4.40% to 16%, including inflation
<i>Investment Rate of Return:</i>	7.50%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
<i>Mortality:</i>	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

***Other Information:***

*Notes:* There were no benefit changes during the year.

\* Based on Valuation Assumptions used in the December 31, 2012, actuarial valuation; note two-year lag between valuation and rate setting.

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

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
FOR THE YEAR ENDED JUNE 30, 2015 \*

Employer's proportion of the net pension liability	0.0009515725%
Employer's proportionate share of the net pension liability	\$ 579,111
State's proportionate share of the net pension liability associated with the employer	8,639,438
<b>Total</b>	<b>\$ 9,218,549</b>
Employer's covered-employee payroll	\$ 1,820,051
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	31.8%
Plan fiduciary net position as a percentage of the total pension liability	43.0%

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
FOR THE YEAR ENDED JUNE 30, 2015 †

Fiscal Year Ended June 30,	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Employer's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee
2015	\$ 46,678	\$ 47,228	\$ (550)	\$ 2,046,787	2.3%
2014	50,538	45,544	4,994	1,820,051	2.5%

† 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 This Required Supplementary Information**

*Changes of assumptions*

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



BOONE/WINNEBAGO COUNTIES  
 REGIONAL OFFICE OF EDUCATION #4  
 OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE PLAN FOR RETIRED EMPLOYEES  
 SCHEDULE OF FUNDING PROGRESS  
 (UNAUDITED)  
 June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
06/30/15	\$ -	\$ 18,556	\$ 18,556	0.00%	\$ 595,586	3.12%
06/30/14	-	16,977	16,977	0.00%	538,482	3.15%
06/30/13	-	16,977	16,977	0.00%	536,718	3.16%

## OTHER SUPPLEMENTARY INFORMATION

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
COMBINING SCHEDULE OF ACCOUNTS  
GENERAL FUND  
JUNE 30, 2015

	Audiovisual Co-op	Credit Recovery	Educational Service Center No. 1	General Operations	Payroll
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,541	\$ 20,362	\$ 139,735	\$ 202,035	\$ -
Due from other funds	-	-	-	-	52,104
Due from other governments					
Local	-	-	-	12,659	-
Prepaid expenditures	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 7,541</b>	<b>\$ 20,362</b>	<b>\$ 139,735</b>	<b>\$ 214,694</b>	<b>\$ 52,104</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 253	\$ -	\$ -	\$ -	\$ 93
Accrued salaries and benefits	42	13,076	-	1,440	-
Due to other funds	-	-	-	-	52,011
<b>Total Liabilities</b>	<b>295</b>	<b>13,076</b>	<b>-</b>	<b>1,440</b>	<b>52,104</b>
<b>FUND BALANCE</b>					
Nonspendable	-	-	-	-	-
Assigned	7,246	7,286	139,735	-	-
Unassigned	-	-	-	213,254	-
<b>Total Fund Balance</b>	<b>7,246</b>	<b>7,286</b>	<b>139,735</b>	<b>213,254</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 7,541</b>	<b>\$ 20,362</b>	<b>\$ 139,735</b>	<b>\$ 214,694</b>	<b>\$ 52,104</b>

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
COMBINING SCHEDULE OF ACCOUNTS  
GENERAL FUND  
JUNE 30, 2015

	Regional Alternative School - GSA	Regional Learning Center - GSA	Standards Aligned Classroom	TOTALS
<b>ASSETS</b>				
Cash and cash equivalents	\$ 547,383	\$ 141,273	\$ 28,969	\$ 1,087,298
Due from other funds	-	15,000	-	67,104
Due from other governments				
Local	-	-	-	12,659
Prepaid expenditures	-	16,458	-	16,458
<b>TOTAL ASSETS</b>	<b>\$ 547,383</b>	<b>\$ 172,731</b>	<b>\$ 28,969</b>	<b>\$ 1,183,519</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 105	\$ 1,813	\$ -	\$ 2,264
Accrued salaries and benefits	7,782	156,307	-	178,647
Due to other funds	-	-	-	52,011
<b>Total Liabilities</b>	<b>7,887</b>	<b>158,120</b>	<b>-</b>	<b>232,922</b>
<b>FUND BALANCE</b>				
Nonspendable	-	16,458	-	16,458
Assigned	539,496	-	28,969	722,732
Unassigned	-	(1,847)	-	211,407
<b>Total Fund Balance</b>	<b>539,496</b>	<b>14,611</b>	<b>28,969</b>	<b>950,597</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 547,383</b>	<b>\$ 172,731</b>	<b>\$ 28,969</b>	<b>\$ 1,183,519</b>

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GENERAL FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2015

	Audiovisual Co-op	Credit Recovery	Educational Service Center No. 1	General Operations	Payroll
<b>REVENUES</b>					
Local sources	\$ 1,061	\$ 38,927	\$ -	\$ 24,447	\$ -
On-behalf payments - Local	-	-	-	562,407	-
State sources	-	-	-	-	-
On-behalf payments - State	-	-	-	284,902	-
Federal sources	-	-	-	-	-
Total Revenues	<u>1,061</u>	<u>38,927</u>	<u>-</u>	<u>871,756</u>	<u>-</u>
<b>EXPENDITURES</b>					
Salaries and benefits	1,454	24,932	-	1,440	-
Pension expense	162	67	-	-	-
Purchased services	54	59	-	34,511	-
Supplies and materials	-	6,438	-	5,122	-
Other objects	-	-	-	-	-
Capital outlay	-	-	-	-	-
Payments to governments	-	145	-	-	-
On-behalf expenditures - Local	-	-	-	562,407	-
On-behalf expenditures - State	-	-	-	284,902	-
Total Expenditures	<u>1,670</u>	<u>31,641</u>	<u>-</u>	<u>888,382</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	<u>(609)</u>	<u>7,286</u>	<u>-</u>	<u>(16,626)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	-	-	-	-	-
Interest income	-	-	425	159	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>425</u>	<u>159</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(609)</u>	<u>7,286</u>	<u>425</u>	<u>(16,467)</u>	<u>-</u>
<b>FUND BALANCE - BEGINNING</b>	<u>7,855</u>	<u>-</u>	<u>139,310</u>	<u>229,721</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 7,246</u>	<u>\$ 7,286</u>	<u>\$ 139,735</u>	<u>\$ 213,254</u>	<u>\$ -</u>

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GENERAL FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2015

	Regional Alternative School - GSA	Regional Learning Center - GSA	Standards Aligned Classroom	TOTALS
<b>REVENUES</b>				
Local sources	\$ 2,695	\$ 611,904	\$ -	\$ 679,034
On-behalf payments - Local	-	-	-	562,407
State sources	733,052	860,825	-	1,593,877
On-behalf payments - State	-	-	-	284,902
Federal sources	-	83,484	-	83,484
Total Revenues	<u>735,747</u>	<u>1,556,213</u>	<u>-</u>	<u>3,203,704</u>
<b>EXPENDITURES</b>				
Salaries and benefits	698,443	1,363,806	-	2,090,075
Pension expense	5,545	37,178	-	42,952
Purchased services	68,724	158,759	-	262,107
Supplies and materials	47,565	161,700	-	220,825
Other objects	-	226	-	226
Capital outlay	4,427	15,986	-	20,413
Payments to governments	-	8	-	153
On-behalf expenditures - Local	-	-	-	562,407
On-behalf expenditures - State	-	-	-	284,902
Total Expenditures	<u>824,704</u>	<u>1,737,663</u>	<u>-</u>	<u>3,484,060</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(88,957)</u>	<u>(181,450)</u>	<u>-</u>	<u>(280,356)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(103,161)	(337,798)	-	(440,959)
Interest income	2,406	2,717	-	5,707
Total Other Financing Sources (Uses)	<u>(100,755)</u>	<u>(335,081)</u>	<u>-</u>	<u>(435,252)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(189,712)	(516,531)	-	(715,608)
<b>FUND BALANCE - BEGINNING</b>	<u>729,208</u>	<u>531,142</u>	<u>28,969</u>	<u>1,666,205</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 539,496</u>	<u>\$ 14,611</u>	<u>\$ 28,969</u>	<u>\$ 950,597</u>

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND  
JUNE 30, 2015

	McKinney-Vento Homeless Children and Youth	Principal Mentoring	Regional Safe Schools	ROE/ISC Operations	Raising Student Achievement Conference	Social Studies and Fine Arts
<b>ASSETS</b>						
Cash and cash equivalents	\$ 16,339	\$ 6,354	\$ 21,753	\$ 92,136	\$ 244,088	\$ -
Due from other governments:						
State	-	-	-	-	-	36,654
Federal	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 16,339</b>	<b>\$ 6,354</b>	<b>\$ 21,753</b>	<b>\$ 92,136</b>	<b>\$ 244,088</b>	<b>\$ 36,654</b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 304	\$ -	\$ -
Accrued salaries and benefits	1,339	-	-	2,601	355	-
Due to other funds	15,000	-	-	-	-	38,061
Due to other governments:						
Local	-	-	-	13,196	-	-
State	-	-	21,753	6,140	-	-
Unearned revenue	-	-	-	69,895	243,733	-
<b>Total Liabilities</b>	<b>16,339</b>	<b>-</b>	<b>21,753</b>	<b>92,136</b>	<b>244,088</b>	<b>38,061</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	-	-	-	-	-	-
<b>FUND BALANCE (DEFICIT)</b>						
Restricted	-	6,354	-	-	-	-
Unassigned	-	-	-	-	-	(1,407)
<b>Total Fund Balance (Deficit)</b>	<b>-</b>	<b>6,354</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,407)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (DEFICIT)</b>	<b>\$ 16,339</b>	<b>\$ 6,354</b>	<b>\$ 21,753</b>	<b>\$ 92,136</b>	<b>\$ 244,088</b>	<b>\$ 36,654</b>

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND  
JUNE 30, 2015

	Technology for Success	Title I - School Improvement & Accountability	Title II - Teacher Quality	Title II - Teacher Quality - Leadership	Truants Alternative	TOTALS
<b>ASSETS</b>						
Cash and cash equivalents	\$ 10,545	\$ 85,483	\$ -	\$ -	\$ 73,727	\$ 550,425
Due from other governments:						
State	-	-	-	-	-	36,654
Federal	-	256,393	-	2,200	-	258,593
<b>TOTAL ASSETS</b>	<b>\$ 10,545</b>	<b>\$ 341,876</b>	<b>\$ -</b>	<b>\$ 2,200</b>	<b>\$ 73,727</b>	<b>\$ 845,672</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 4,128	\$ -	\$ -	\$ -	\$ 404	\$ 4,836
Accrued salaries and benefits	2,303	8,536	-	-	73,323	88,457
Due to other funds	-	333,340	-	2,200	-	388,601
Due to other governments:						
Local	-	-	-	-	-	13,196
State	4,114	-	-	-	-	32,007
Unearned revenue	-	-	-	-	-	313,628
<b>Total Liabilities</b>	<b>10,545</b>	<b>341,876</b>	<b>-</b>	<b>2,200</b>	<b>73,727</b>	<b>840,725</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	-	3,497	-	-	-	3,497
<b>FUND BALANCE (DEFICIT)</b>						
Restricted	-	-	-	-	-	6,354
Unassigned	-	(3,497)	-	-	-	(4,904)
<b>Total Fund Balance (Deficit)</b>	<b>-</b>	<b>(3,497)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,450</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (DEFICIT)</b>	<b>\$ 10,545</b>	<b>\$ 341,876</b>	<b>\$ -</b>	<b>\$ 2,200</b>	<b>\$ 73,727</b>	<b>\$ 845,672</b>



BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
EDUCATION FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2015

	McKinney-Vento Homeless Children and Youth	Principal Mentoring	Regional Safe Schools	ROE/ISC Operations	Raising Student Achievement Conference	Social Studies and Fine Arts
<b>REVENUES</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 254,716	\$ -
State sources	-	-	135,329	272,558	-	44,973
Federal sources	59,923	-	-	-	-	-
Total Revenues	59,923	-	135,329	272,558	254,716	44,973
<b>EXPENDITURES</b>						
Salaries and benefits	16,952	-	131,502	184,832	32,047	2,142
Pension expense	2,264	-	810	7,516	1,096	-
Purchased services	793	-	3,017	70,245	142,995	29,822
Supplies and materials	-	-	-	3,690	6,388	-
Other objects	-	-	-	426	70,000	-
Capital outlay	-	-	-	5,849	-	-
Payments to other governments	40,195	-	-	-	-	14,416
Total Expenditures	60,204	-	135,329	272,558	252,526	46,380
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(281)	-	-	-	2,190	(1,407)
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	281	-	-	-	-	-
Transfers out	-	-	-	-	(2,816)	-
Interest income	-	-	-	-	626	-
Total Other Financing Sources (Uses)	281	-	-	-	(2,190)	-
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-	-	(1,407)
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>	-	6,354	-	-	-	-
<b>FUND BALANCE (DEFICIT) - ENDING</b>	\$ -	\$ 6,354	\$ -	\$ -	\$ -	\$ (1,407)

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
EDUCATION FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2015

	Technology for Success	Title I - School Improvement & Accountability	Title II - Teacher Quality	Title II - Teacher Quality - Leadership	Truants Alternative	TOTALS
<b>REVENUES</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 254,716
State sources	203,563	-	-	-	309,265	965,688
Federal sources	-	787,133	1,212	10,133	-	858,401
Total Revenues	<u>203,563</u>	<u>787,133</u>	<u>1,212</u>	<u>10,133</u>	<u>309,265</u>	<u>2,078,805</u>
<b>EXPENDITURES</b>						
Salaries and benefits	94,398	235,143	-	382	315,573	1,012,971
Pension expense	7,916	37,168	-	52	11,028	67,850
Purchased services	10,771	216,011	1,212	9,699	21,548	506,113
Supplies and materials	4,497	2,319	-	-	1,030	17,924
Other objects	-	-	-	-	-	70,426
Capital outlay	1,659	-	-	-	-	7,508
Payments to other governments	84,322	308,926	-	-	-	447,859
Total Expenditures	<u>203,563</u>	<u>799,567</u>	<u>1,212</u>	<u>10,133</u>	<u>349,179</u>	<u>2,130,651</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(12,434)</u>	<u>-</u>	<u>-</u>	<u>(39,914)</u>	<u>(51,846)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	8,937	-	-	39,914	49,132
Transfers out	-	-	-	-	-	(2,816)
Interest income	-	-	-	-	-	626
Total Other Financing Sources (Uses)	<u>-</u>	<u>8,937</u>	<u>-</u>	<u>-</u>	<u>39,914</u>	<u>46,942</u>
NET CHANGE IN FUND BALANCE	-	(3,497)	-	-	-	(4,904)
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,354</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ (3,497)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,450</u>

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNT  
McKINNEY-VENTO HOMELESS CHILDREN AND YOUTH  
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUE</b>			
Federal	\$ 60,144	\$ 59,923	\$ 59,923
Total Revenue	<u>60,144</u>	<u>59,923</u>	<u>59,923</u>
<b>EXPENDITURES</b>			
Salaries and benefits	19,307	18,938	16,952
Pension expense	-	-	2,264
Purchased services	685	790	793
Payments to other governments	40,152	40,195	40,195
Total Expenditures	<u>60,144</u>	<u>59,923</u>	<u>60,204</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>-</u>	<u>-</u>	<u>(281)</u>
<b>OTHER FINANCING SOURCES:</b>			
Transfers in	-	-	281
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>281</u>
<b>NET CHANGE IN FUND BALANCE</b>			
	-	-	-
<b>FUND BALANCE - BEGINNING</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>			
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

BOONE/WINNEBAGO COUNTIES  
 REGIONAL OFFICE OF EDUCATION #4  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNT  
 REGIONAL SAFE SCHOOLS  
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
REVENUE			
State	\$ 160,647	\$ 157,032	\$ 135,329
Total Revenue	<u>160,647</u>	<u>157,032</u>	<u>135,329</u>
EXPENDITURES			
Salaries and benefits	156,764	153,149	131,502
Pension expense	-	-	810
Purchased services	3,883	3,883	3,017
Total Expenditures	<u>160,647</u>	<u>157,032</u>	<u>135,329</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNTS  
ROE/ISC OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
<b>REVENUE</b>			
State	\$ 116,300	\$ 116,300	\$ 272,558
Total Revenue	<u>116,300</u>	<u>116,300</u>	<u>272,558</u>
<b>EXPENDITURES</b>			
Salaries and benefits	99,996	83,991	184,832
Pension expense	-	-	7,516
Purchased services	14,841	28,574	70,245
Supplies and materials	1,265	1,196	3,690
Other objects	198	147	426
Capital outlay	-	2,392	5,849
Total Expenditures	<u>116,300</u>	<u>116,300</u>	<u>272,558</u>
 NET CHANGE IN FUND BALANCE	 -	 -	 -
 FUND BALANCE - BEGINNING	 <u>-</u>	 <u>-</u>	 <u>-</u>
 FUND BALANCE - ENDING	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

Expenditures exceed budgeted amounts because the Regional Office of Education #4 also received pass-through funding in this program.

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNT  
TECHNOLOGY FOR SUCCESS  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
<b>REVENUE</b>			
State	\$ 201,260	\$ 201,260	\$ 203,563
Total Revenue	<u>201,260</u>	<u>201,260</u>	<u>203,563</u>
<b>EXPENDITURES</b>			
Salaries and benefits	104,539	100,683	94,398
Pension expense	-	-	7,916
Purchased services	18,646	10,459	10,771
Supplies and materials	-	3,783	4,497
Capital outlay	-	1,659	1,659
Payments to other governments	78,075	84,676	84,322
Total Expenditures	<u>201,260</u>	<u>201,260</u>	<u>203,563</u>
 NET CHANGE IN FUND BALANCE	 -	 -	 -
 FUND BALANCE - BEGINNING	 <u>-</u>	 <u>-</u>	 <u>-</u>
 FUND BALANCE - ENDING	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

BOONE/WINNEBAGO COUNTIES  
 REGIONAL OFFICE OF EDUCATION #4  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNTS  
 TITLE I - SCHOOL IMPROVEMENT & ACCOUNTABILITY 2014-4331-SS  
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
REVENUE			
Federal	\$ 226,728	\$ 893,801	\$ 2,096
Total Revenue	<u>226,728</u>	<u>893,801</u>	<u>2,096</u>
EXPENDITURES			
Salaries and benefits	200,535	251,630	1,944
Pension expense	-	-	152
Purchased services	21,141	201,053	-
Supplies and materials	5,052	10,885	-
Payments to other governments	-	430,233	-
Total Expenditures	<u>226,728</u>	<u>893,801</u>	<u>2,096</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Expenditures are less than budgeted amounts because the grant ran from 7/3/2013 through 6/30/2014; only part of the grant was expended in the current fiscal year.

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNTS  
TITLE I - SCHOOL IMPROVEMENT & ACCOUNTABILITY 2015-4331-SS  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUE			
Federal	\$ 1,142,132	\$ 1,142,132	\$ 785,037
Total Revenue	<u>1,142,132</u>	<u>1,142,132</u>	<u>785,037</u>
EXPENDITURES			
Salaries and benefits	565,271	399,887	233,199
Pension expense	-	-	37,016
Purchased services	213,575	219,713	216,011
Supplies and materials	8,837	3,434	2,319
Payments to other governments	354,449	519,098	308,926
Total Expenditures	<u>1,142,132</u>	<u>1,142,132</u>	<u>797,471</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(12,434)</u>
OTHER FINANCING SOURCES:			
Transfer in	<u>-</u>	<u>-</u>	<u>8,937</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>8,937</u>
NET CHANGE IN FUND BALANCE	-	-	(3,497)
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,497)</u>



BOONE/WINNEBAGO COUNTIES  
 REGIONAL OFFICE OF EDUCATION #4  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNT  
 TITLE II - TEACHER QUALITY  
 FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal	\$ 1,315	\$ 1,212	\$ 1,212
Total Revenue	<u>1,315</u>	<u>1,212</u>	<u>1,212</u>
EXPENDITURES			
Purchased services	1,315	1,212	1,212
Total Expenditures	<u>1,315</u>	<u>1,212</u>	<u>1,212</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOONE/WINNEBAGO COUNTIES  
 REGIONAL OFFICE OF EDUCATION #4  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNT  
 TITLE II - TEACHER QUALITY - LEADERSHIP  
 FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal	\$ 10,133	\$ 10,133	\$ 10,133
Total Revenue	<u>10,133</u>	<u>10,133</u>	<u>10,133</u>
EXPENDITURES			
Salaries and benefits	433	433	382
Pension expense	-	-	52
Purchased services	9,700	9,700	9,699
Total Expenditures	<u>10,133</u>	<u>10,133</u>	<u>10,133</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNT  
TRUANTS ALTERNATIVE  
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State	\$ 316,384	\$ 309,265	\$ 309,265
Total Revenue	<u>316,384</u>	<u>309,265</u>	<u>309,265</u>
EXPENDITURES			
Salaries and benefits	294,396	286,830	315,573
Pension expense	-	-	11,028
Purchased services	20,888	21,335	21,548
Supplies and materials	1,100	1,100	1,030
Total Expenditures	<u>316,384</u>	<u>309,265</u>	<u>349,179</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(39,914)</u>
OTHER FINANCING SOURCES:			
Transfer in	-	-	39,914
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>39,914</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2015

	<u>General Education Development</u>	<u>Bus Driver Training</u>	<u>Supervisory</u>	<u>Testing Center</u>	<u>Richard Fairgrievs Scholarship Fund</u>	<u>Institute</u>	<u>TOTALS</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 9,462	\$ 14,968	\$ 1,002	\$ 26,481	\$ 9,145	\$ 180,875	\$ 241,933
Accounts receivable	-	-	-	4,570	-	-	4,570
Due from other governments - Local	403	1,216	-	-	-	-	1,619
<b>TOTAL ASSETS</b>	<u>\$ 9,865</u>	<u>\$ 16,184</u>	<u>\$ 1,002</u>	<u>\$ 31,051</u>	<u>\$ 9,145</u>	<u>\$ 180,875</u>	<u>\$ 248,122</u>
<b>LIABILITIES</b>							
Accrued salaries and benefits	\$ 460	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 460
<b>Total Liabilities</b>	<u>460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>460</u>
<b>FUND BALANCE</b>							
Restricted	9,405	16,184	1,002	31,051	9,145	180,875	247,662
<b>Total Fund Balance</b>	<u>9,405</u>	<u>16,184</u>	<u>1,002</u>	<u>31,051</u>	<u>9,145</u>	<u>180,875</u>	<u>247,662</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 9,865</u>	<u>\$ 16,184</u>	<u>\$ 1,002</u>	<u>\$ 31,051</u>	<u>\$ 9,145</u>	<u>\$ 180,875</u>	<u>\$ 248,122</u>

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	General Education Development	Bus Driver Training	Supervisory	Testing Center	Richard Fairgrievies Scholarship Fund	Institute	TOTALS
REVENUES							
Local sources	\$ 7,645	\$ 9,320	\$ -	\$ 47,944	\$ -	\$ 103,842	\$ 168,751
State sources	-	2,036	-	-	-	-	2,036
Total Revenues	7,645	11,356	-	47,944	-	103,842	170,787
EXPENDITURES							
Salaries and benefits	2,047	-	-	14,880	-	7,999	24,926
Pension expense	6	-	-	7,416	-	-	7,422
Purchased services	4,290	8,694	-	250	-	16,238	29,472
Supplies and materials	659	1,898	-	7,455	-	132	10,144
Other objects	16	-	-	2,348	2,000	-	4,364
Total Expenditures	7,018	10,592	-	32,349	2,000	24,369	76,328
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	627	764	-	15,595	(2,000)	79,473	94,459
OTHER FINANCING SOURCES (USES)							
Interest income	-	26	28	-	-	101	155
Total Other Financing Sources (Uses)	-	26	28	-	-	101	155
NET CHANGE IN FUND BALANCE	627	790	28	15,595	(2,000)	79,574	94,614
FUND BALANCE - BEGINNING	8,778	15,394	974	15,456	11,145	101,301	153,048
FUND BALANCE - ENDING	\$ 9,405	\$ 16,184	\$ 1,002	\$ 31,051	\$ 9,145	\$ 180,875	\$ 247,662

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
COMBINING STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
	Global Education	Fingerprinting	TOTALS
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ -	\$ 31,244	\$ 31,244
Accounts receivable	-	240	240
TOTAL ASSETS	-	31,484	31,484
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	-	1,400	1,400
TOTAL LIABILITIES	-	1,400	1,400
<b>NET POSITION</b>			
Unrestricted	-	30,084	30,084
TOTAL NET POSITION	\$ -	\$ 30,084	\$ 30,084

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
	Global Education	Fingerprinting	TOTALS
OPERATING REVENUES			
Charges for services	\$ 160	\$ 29,182	\$ 29,342
Total Operating Revenues	160	29,182	29,342
OPERATING EXPENSES			
Salaries and benefits	-	19,248	19,248
Purchased services	-	3,262	3,262
Total Operating Expenses	-	22,510	22,510
OPERATING INCOME (LOSS)	160	6,672	6,832
NONOPERATING REVENUE (EXPENSE)			
Transfers out	(160)	-	(160)
Interest income	-	55	55
Total Nonoperating Revenue (Expense)	(160)	55	(105)
CHANGE IN NET POSITION	-	6,727	6,727
TOTAL NET POSITION - BEGINNING	-	23,357	23,357
TOTAL NET POSITION - ENDING	\$ -	\$ 30,084	\$ 30,084

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
	Global Education	Fingerprinting	TOTALS
Cash Flows from Operating Activities:			
Receipts from customers	\$ 160	\$ 29,867	\$ 30,027
Payments to suppliers and providers of goods and services	-	(1,862)	(1,862)
Payments to employees	-	(19,248)	(19,248)
Net Cash Provided by (Used for) Operating Activities	<u>160</u>	<u>8,757</u>	<u>8,917</u>
Cash Flows from Noncapital Financing Activities:			
Cash transfers from (to) other funds	(160)	-	(160)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(160)</u>	<u>-</u>	<u>(160)</u>
Cash Flows from Investing Activities:			
Interest income	-	55	55
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>55</u>	<u>55</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	8,812	8,812
Cash and cash equivalents - Beginning	<u>-</u>	<u>22,432</u>	<u>22,432</u>
Cash and cash equivalents - Ending	<u>\$ -</u>	<u>\$ 31,244</u>	<u>\$ 31,244</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ 160	\$ 6,672	\$ 6,832
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Decrease in assets:			
Decrease in accounts receivable	-	685	685
Increase in liabilities:			
Increase in accounts payable	-	1,400	1,400
Net Cash Provided by (Used for) Operating Activities	<u>\$ 160</u>	<u>\$ 8,757</u>	<u>\$ 8,917</u>



BOONE/WINNEBAGO COUNTIES  
 REGIONAL OFFICE OF EDUCATION #4  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 AGENCY FUNDS  
 JUNE 30, 2015

	<u>Career Education Associates of North Central Illinois</u>	<u>Boone County School Facility Occupation Tax</u>	<u>TOTALS</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 429,287	\$ 65	\$ 429,352
Due from other governments	431,581	704,787	1,136,368
<b>TOTAL ASSETS</b>	<b><u>\$ 860,868</u></b>	<b><u>\$ 704,852</u></b>	<b><u>\$ 1,565,720</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 3,981	\$ -	\$ 3,981
Accrued salaries and benefits	15,314	-	15,314
Due to other governments	841,573	704,852	1,546,425
<b>TOTAL LIABILITIES</b>	<b><u>\$ 860,868</u></b>	<b><u>\$ 704,852</u></b>	<b><u>\$ 1,565,720</u></b>

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<u>CAREER EDUCATION ASSOCIATES OF NORTH CENTRAL ILLINOIS</u>				
ASSETS				
Cash and cash equivalents	\$ 473,699	\$ 1,157,158	\$ 1,201,570	\$ 429,287
Due from other governments	393,332	431,581	393,332	431,581
Total Assets	\$ 867,031	\$ 1,588,739	\$ 1,594,902	\$ 860,868
LIABILITIES				
Accounts payable	\$ 49,098	\$ 3,981	\$ 49,098	\$ 3,981
Accrued salaries and benefits	-	15,314	-	15,314
Due to other governments	817,933	1,569,444	1,545,804	841,573
Total Liabilities	\$ 867,031	\$ 1,588,739	\$ 1,594,902	\$ 860,868
 <u>BOONE COUNTY SCHOOL FACILITY OCCUPATION TAX</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 2,821,334	\$ 2,821,269	\$ 65
Due from other governments	751,956	704,787	751,956	704,787
Total Assets	\$ 751,956	\$ 3,526,121	\$ 3,573,225	\$ 704,852
LIABILITIES				
Due to other governments	\$ 751,956	\$ 3,526,121	\$ 3,573,225	\$ 704,852
Total Liabilities	\$ 751,956	\$ 3,526,121	\$ 3,573,225	\$ 704,852
 <u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 473,699	\$ 3,978,492	\$ 4,022,839	\$ 429,352
Due from other governments	1,145,288	1,136,368	1,145,288	1,136,368
Total Assets	\$ 1,618,987	\$ 5,114,860	\$ 5,168,127	\$ 1,565,720
LIABILITIES				
Accounts payable	\$ 49,098	\$ 3,981	\$ 49,098	\$ 3,981
Accrued salaries and benefits	-	15,314	-	15,314
Due to other governments	1,569,889	5,095,565	5,119,029	1,546,425
Total Liabilities	\$ 1,618,987	\$ 5,114,860	\$ 5,168,127	\$ 1,565,720

BOONE/WINNEBAGO COUNTIES  
 REGIONAL OFFICE OF EDUCATION #4  
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT  
 TREASURERS AND OTHER ENTITIES  
 BOONE COUNTY SCHOOL FACILITY OCCUPATION TAX  
 FOR THE YEAR ENDED JUNE 30, 2015

District	Boone County School Facility Occupation Tax
Belvidere CUSD #100	\$ 2,335,748
Harvard CUSD #50	2,861
Hiawatha CUSD #426	3,524
Hononegah CHD #207	284
North Boone CUSD #200	477,991
Rockford SD #205	720
Regional Office of Education #4	141
	\$ 2,821,269

FEDERAL COMPLIANCE SECTION

BOONE/WINNEBAGO COUNTIES  
REGIONAL OFFICE OF EDUCATION #4  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Pass-Through Grantor, Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Project # or Contract #</u>	<u>Expenditures 7/1/14-6/30/15</u>
<b>US Department of Education passed through Illinois State Board of Education</b>			
Title I - Grants to Local Educational Agencies			
Title I - School Improvement and Accountability	84.010A	2014-4331-SS	\$ 2,096
Title I - School Improvement and Accountability	84.010A	2015-4331-SS	788,534
Total Title I - Grants to Local Educational Agencies			<u>790,630 (M)</u>
Improving Teacher Quality State Grants			
Title II - Teacher Quality	84.367A	2015-4932-00	1,212
Title II - Teacher Quality - Leadership	84.367A	2015-4935-02	10,133
Total Improving Teacher Quality State Grants			<u>11,345</u>
<b>Total US Department of Education passed through Illinois State Board of Education</b>			<u>801,975</u>
<b>US Department of Education passed through Other Entities</b>			
Education for Homeless Children and Youth			
Passed through Regional Office of Education #47			
McKinney-Vento Homeless Children and Youth	84.196A	2015-4920-00	59,923
Total Education for Homeless Children and Youth			<u>59,923</u>
<b>Total US Department of Education passed through Other Entities</b>			<u>59,923</u>
<b>Total US Department of Education</b>			<u>861,898</u>
<b>US Department of Agriculture passed through Illinois State Board of Education</b>			
Child Nutrition Cluster			
National School Lunch Program	10.555	2014-4210-00	15,757
National School Lunch Program	10.555	2015-4210-00	44,288
School Breakfast Program	10.553	2014-4220-00	7,771
School Breakfast Program	10.553	2015-4220-00	15,668
Total Child Nutrition Cluster			<u>83,484</u>
<b>Total US Department of Agriculture passed through Illinois State Board of Education</b>			<u>83,484</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 945,382</u>

(M) Program was audited as a major program.

The accompanying notes are an integral part of this schedule.

BOONE/WINNEBAGO COUNTIES  
 REGIONAL OFFICE OF EDUCATION #4  
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – REPORTING ENTITY BASIS OF PRESENTATION AND ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Boone/Winnebago Counties Regional Office of Education #4 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Regional Office of Education #4 provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA #</u>	<u>Amount provided to subrecipients</u>
Title I – Grants to Local Educational Agencies		
(Title I – School Improvement & Accountability)	84.010A	\$ 308,926
McKinney-Vento Homeless Children and Youth	84.196A	40,195

NOTE 3 – DESCRIPTION OF MAJOR FEDERAL PROGRAMS

Title I – Grants to Local Educational Agencies (Title I – School Improvement & Accountability) – The Illinois State Board of Education Quality Assurance Process consists of an external visit to audit each school every few years and an internal review that each school must conduct annually. The Regional Office of Education #4 is charged with supporting and guiding schools through this complex school improvement process so that teaching and learning improve every year.

NOTE 4 – NON-CASH ASSISTANCE

None

NOTE 5 – AMOUNT OF INSURANCE

None

NOTE 6 – LOANS OR GUARANTEES OUTSTANDING

None