

**State of Illinois
WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
FINANCIAL AUDIT
(In Accordance with the Uniform Guidance)
For the Year Ended June 30, 2016**

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

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

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JUNE 30, 2016**

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REGIONAL OFFICE OF EDUCATION #56**

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**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

OFFICIALS

Regional Superintendent
(current and during the audit period)

Dr. Shawn T. Walsh

Assistant Regional Superintendent
(current and during the audit period)

Mr. Frank Perucca

Office is located at:

702 West Maple Street
New Lenox, Illinois 60451

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

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	2	4
Repeated audit findings	2	1
Prior recommendations implemented or not repeated	2	2

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>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
2016-001	13	Controls over Financial Statement Preparation	Material Weakness
2016-002	15	Controls over Financial Accounting System	Material Weakness

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

None

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

COMPLIANCE REPORT SUMMARY (Concluded)

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

2015-002 19 Inadequate Internal Control Procedures over Journal Entries

PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

2015-004 19 Noncompliance with Grant Requirements

EXIT CONFERENCE

The Will County Regional Office of Education No. 56 opted not to have a formal exit conference during the financial audit for the year ended June 30, 2016. Throughout the audit, numerous meetings were held between auditors and Regional Office officials to discuss matters contained in this audit report. Responses to the recommendations were provided by Shawn Walsh, Regional Superintendent, on August 8, 2017.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Will County Regional Office of Education #56 was performed by McGreal & Company, PC.

Based on their audit, the auditors expressed an unmodified opinion on the Will County Regional Office of Education #56'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 Will County Regional Office of Education #56, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Will County Regional Office of Education #56's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Will County Regional Office of Education #56, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Post-Employment Benefits - Health Insurance Plan for Retired Employees Schedule of Funding Progress on pages 22 through 27 and 72 through 75 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 Will County Regional Office of Education #56's basic financial statements. The combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and the Schedule of Expenditures of Federal Awards, as required by the Uniform Guidance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and the Schedule of Expenditures of Federal Awards, as required by the Uniform Guidance are the responsibility of management and were derived from and 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, and the Schedule of Expenditures of Federal Awards, as required by the Uniform Guidance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2017 on our consideration of the Will County Regional Office of Education #56'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 Will County Regional Office of Education #56's internal control over financial reporting and compliance.

Signed original on file

Oak Lawn, Illinois
November 15, 2017

McGREAL & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

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 Will County Regional Office of Education #56, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Will County Regional Office of Education #56's basic financial statements, and have issued our report thereon dated November 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Will County Regional Office of Education #56'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 Will County Regional Office of Education #56's internal control. Accordingly, we do not express an opinion on the effectiveness of Will County Regional Office of Education #56's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Will County Regional Office of Education #56's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Regional Office of Education #56's Responses to Findings

Will County Regional Office of Education #56's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Will County Regional Office of Education #56's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Will County Regional Office of Education #56's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Will County Regional Office of Education #56's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Signed original on file

Oak Lawn, Illinois
November 15, 2017

McGREAL & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on Compliance for Each Major Federal Program

We have audited Will County Regional Office of Education #56's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Regional Office of Education #56's major federal programs for the year ended June 30, 2016. The Will County Regional Office of Education #56's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Will County Regional Office of Education #56's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Will County Regional Office of Education #56'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 Will County Regional Office of Education #56's compliance.

Opinion on Each Major Federal Program

In our opinion, the Will County Regional Office of Education #56 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, 2016.

Report on Internal Control Over Compliance

Management of Will County Regional Office of Education #56 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 Will County Regional Office of Education #56's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Will County Regional Office of Education #56'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Signed original on file

Oak Lawn, Illinois
November 15, 2017

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION I – SUMMARY OF AUDITORS' RESULTS
For the Year Ended June 30, 2016**

Financial Statements in accordance with GAAP

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
● Material weaknesses identified?	Yes
● Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
● Material weakness(es) identified?	No
● Significant deficiency(ies) identified?	No
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs:	

CFDA Number(s)	Name of Federal Program or Cluster
84.010A	Title I - School Improvement and Accountability

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

Auditee qualified as a low-risk auditee? No

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2016**

Finding No. 2016-001 – Controls Over Financial Statement Preparation (Repeated from Finding No. 15-001, 14-001, 13-001, 12-01, 11-01 and 10-01)

CRITERIA / SPECIFIC REQUIREMENT:

The Will County Regional Office of Education #56 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Will County Regional Office of Education #56'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 funds balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the Statement requires information about the government's major and nonmajor funds in the aggregate, to be provided in the fund financial statements.

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

CONDITION:

The Will County Regional Office of Education #56 does not have sufficient internal controls over the financial reporting process. The Will County Regional Office of Education #56 maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While the Will County Regional Office of Education #56 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2016**

Finding No. 2016-001 – Controls Over Financial Statement Preparation (Repeated from Finding No. 15-001, 14-001, 13-001, 12-01, 11-01 and 10-01) (Continued)

CONDITION (Continued):

During review of the financial information prepared by the Will County Regional Office of Education #56, auditors noted the Regional Office's financial information required material adjusting entries in order to present its financial statements in accordance with GAAP. In addition, the Regional Office did not have adequate controls to record and report the Regional Office's net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP. Proposed adjusting entries were approved and accepted by Regional Office management.

EFFECT:

The Will County Regional Office of Education #56's management or its employees, in the normal course of performing their assigned functions, may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

CAUSE:

According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements. Also, the complex requirements of GASB Statements No. 68 and No. 71 were new in the prior fiscal year and will require additional time and training before the ROE can fully implement the requirements on its own.

AUDITOR'S RECOMMENDATION:

As part of its internal control over the preparation of financial statements, the Will County Regional Office of Education #56 should implement comprehensive preparation procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable GAAP, GASB pronouncements, and knowledge of the Will County Regional Office of Education #56's activities and operations.

MANAGEMENT'S RESPONSE:

The Regional Office of Education #56 accepts the degree of risk associated with this condition because the added expense of seeking additional 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.

The Regional Office of Education #56 will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring employees possess the knowledge required to compile the necessary GAAP based financial statements.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2016**

Finding No. 2016-002 – Controls Over Financial Accounting System (Repeated from Finding No. 15-003)

CRITERIA / SPECIFIC REQUIREMENT:

The Will County Regional Office of Education #56 is required by the Illinois State Board of Education (ISBE) to maintain its accounting system in accordance with the Regional Office of Education Accounting Manual (Manual). The Manual requires the Regional Office to maintain an accounting system on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. These funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

CONDITION:

The Regional Office's current accounting system for the Professional Development Alliance (PDA) does not allow the Regional Office to maintain accounting information in accordance with the Manual. The auditors were given various reports from the PDA's accounting system, as well as spreadsheets maintained outside of the accounting system to utilize in determining the individual program and fund trial balance information. In many instances, the information between the system and spreadsheets did not agree. The Regional Office was also unable to provide a report of an individual account's detailed transactions for the fiscal period. The detail had to be reconstructed by PDA from segments of information from multiple reports.

EFFECT:

Accounting software that does not accurately track and report the Regional Office's accounting activity makes it difficult to determine if this information is complete. In addition, the lack of proper fund accounting may inhibit the Regional Office of Education #56's ability to track specific activities or attain certain objectives in accordance with special regulations, restrictions, or limitations.

CAUSE:

According to the PDA Bookkeeper, the accounting software is an older and outdated version that often times produces corrupt reports that cannot be relied upon; therefore, the PDA has been tracking and reporting activity manually in spreadsheets.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2016**

Finding No. 2016-002 – Controls Over Financial Accounting System (Repeated from Finding No. 15-003) (Continued)

AUDITOR’S RECOMMENDATION:

The Regional Office should acquire fund accounting software sufficient for the PDA to account for its accounting activity in accordance with the Regional Office of Education Accounting Manual.

MANAGEMENT’S RESPONSE:

The Regional Office of Education #56 acquired a fund accounting software sufficient for the PDA to account for their accounting activity in accordance with the Regional Office of Education Accounting Manual.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION III – FEDERAL AWARD FINDINGS
For the Year Ended June 30, 2016**

None

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

CORRECTIVE ACTION PLAN

Finding No. 2016-001 - Controls Over Financial Statement Preparation (Repeated from Finding No. 15-001, 14-001, 13-001, 12-01, 11-01, and 10-01)

CONDITION:

The Will County Regional Office of Education #56 does not have sufficient internal controls over the financial reporting process. The Will County Regional Office of Education #56 maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While the Will County Regional Office of Education #56 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

During review of the financial information prepared by the Will County Regional Office of Education #56, auditors noted the Regional Office's financial information required material adjusting entries in order to present its financial statements in accordance with GAAP. In addition, the Regional Office did not have adequate controls to record and report the Regional Office's net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP. Proposed adjusting entries were approved and accepted by Regional Office management.

PLAN:

The Regional Office of Education #56 accepts the degree of risk associated with this condition because the added expense of seeking additional 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.

The Regional Office of Education #56 will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring employees possess the knowledge required to compile the necessary GAAP based financial statements.

ANTICIPATED DATE OF COMPLETION:

Not applicable

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

Dr. Shawn Walsh, Regional Superintendent

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

CORRECTIVE ACTION PLAN

Finding No. 2016-002 - Controls Over Financial Accounting System (Repeated from Finding No. 15-003)

CONDITION:

The Regional Office's current accounting system for the Professional Development Alliance (PDA) does not allow the Regional Office to maintain accounting information in accordance with the Manual. The auditors were given various reports from the PDA's accounting system, as well as spreadsheets maintained outside of the accounting system to utilize in determining the individual program and fund trial balance information. In many instances, the information between the system and spreadsheets did not agree. The Regional Office was also unable to provide a report of an individual account's detailed transactions for the fiscal period. The detail had to be reconstructed by PDA from segments of information from multiple reports.

PLAN:

The Regional Office of Education #56 acquired a fund accounting software sufficient for the PDA to account for their accounting activity in accordance with the Regional Office of Education Accounting Manual.

ANTICIPATED DATE OF COMPLETION:

The PDA implemented the fund accounting software on January 1, 2017.

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

Dr. Shawn Walsh, Regional Superintendent

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
2015-001	Controls over Financial Statement Preparation	Repeated as Finding 2016-001
2015-002	Inadequate Internal Control Procedures over Journal Entries	Corrected
2015-003	Controls over Financial Accounting System	Repeated as Finding 2016-002
2015-004	Noncompliance with Grant Requirements	Corrected

MANAGEMENT'S DISCUSSION AND ANALYSIS

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

The Will County Regional Office of Education #56 (ROE #56) 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, 2016, with comparative information for the year ended June 30, 2015. Readers are encouraged to consider the information in conjunction with the ROE #56's financial statements that follow.

2016 Financial Highlights

- The General Fund revenues increased by \$12,109 (1%) from \$1,933,430 in FY 2015 to \$1,945,539 in FY 2016. The General Fund expenditures decreased by \$21,012 (1%) from \$2,007,053 in FY 2015 to \$1,986,041 in FY 2016. Revenue increased mainly due to an increase in General State Aid – State funding. The decrease in expenditures was primarily related to a decrease in payments to other governments.
- The Special Revenue Fund revenues increased by \$319,053 (15%) from \$2,114,770 in FY 2015 to \$2,433,823 in FY 2016. The Special Revenue Fund expenditures increased by \$264,998 (13%) from \$1,971,795 in FY 2015 to \$2,236,793 in FY 2016. Title I funding increased significantly during FY16 which accounted for the increase in revenues and expenditures.
- The Enterprise Fund revenues increased by \$186,714 (36%) from \$524,428 in FY 2015 to \$711,142 in FY 2016. The Enterprise Fund expenditures increased by \$55,895 (9%) from \$657,411 in FY 2015 to \$713,306 in FY 2016. The fluctuations relate primarily to increases in revenues and expenses in the Local PDA fund.

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 ROE #56's financial activities.
- The *Government-wide financial statements* consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the ROE #56 as a whole and present an overall view of the Office's finances.
- *Fund financial statements* report the ROE #56's operations in more detail than the government-wide statements by providing information about the most significant funds.
- *Notes to the financial statements* provide additional information that is needed for a full understanding of the data provided in the basic financial statements.
- *Required supplementary information* further explains and supports the financial statements and supplementary information provides detailed information about the nonmajor funds.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Reporting the Will County Regional Office as a Whole

It is important to note that many grants are a cooperative effort of the ROE #56 and the Grundy/Kendall Regional Office of Education #24. Therefore, these figures may reflect grants that are intended to serve Will County only and grants that serve Will, Grundy, and Kendall Counties.

The Statement of Net Position and the Statement of Activities

Government-wide Financial Statements

The Government-wide financial statements report information about the ROE #56 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 Office's net position and how they have changed. Net Position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources—is one way to measure the Office's financial health or position.

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

Fund Financial Statements

The fund financial statements provide detailed information about the ROE #56'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 ROE #56 established other funds to control and manage money for particular purposes.

The Office has three kinds of funds:

- (1) Governmental funds account for those funds through which most governmental functions of the Office are financed. 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 Office's programs. The required governmental funds financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

- (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. The required proprietary funds 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 ROE #56 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 required fiduciary funds 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 ROE #56. The net position at the end of FY 2016 and FY 2015 totaled \$5,448,421 and \$5,363,083, respectively. The analysis that follows provides a summary of the ROE #56's net position as of June 30, 2016 and 2015.

CONDENSED STATEMENT OF NET POSITION

	CONDENSED STATEMENT OF NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current assets	\$ 4,806,157	\$ 5,017,760	\$ 675,275	\$ 353,206	\$ 5,481,432	\$ 5,370,966
Noncurrent assets	-	89,476	-	70,944	-	160,420
Total assets	<u>4,806,157</u>	<u>5,107,236</u>	<u>675,275</u>	<u>424,150</u>	<u>5,481,432</u>	<u>5,531,386</u>
Deferred outflows of resources	126,107	54,300	125,508	40,393	251,615	94,693
Current liabilities	130,503	146,844	-	29,415	130,503	176,259
Noncurrent liabilities	96,890	57,306	36,240	-	133,130	57,306
Total liabilities	<u>227,393</u>	<u>204,150</u>	<u>36,240</u>	<u>29,415</u>	<u>263,633</u>	<u>233,565</u>
Deferred inflows of resources	15,996	22,926	4,997	6,505	20,993	29,431
Net position:						
Restricted - other	964,699	1,209,083	-	70,944	964,699	1,280,027
Unrestricted	3,724,176	3,725,377	759,546	357,679	4,483,722	4,083,056
Total net position	<u>\$ 4,688,875</u>	<u>\$ 4,934,460</u>	<u>\$ 759,546</u>	<u>\$ 428,623</u>	<u>\$ 5,448,421</u>	<u>\$ 5,363,083</u>

The ROE #56's net position increased by \$85,338 (2%) from FY 2015. The increase was a result of increased funding in General State Aid and the Title I – School Improvement and Accountability grant.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

CHANGES IN NET POSITION

The following analysis shows the changes in net position for the years ended June 30, 2016 and 2015.

	<u>CHANGES IN NET POSITION</u>					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Operating grants and contributions	\$ 2,243,971	\$ 1,946,314	\$ -	\$ -	\$ 2,243,971	\$ 1,946,314
General revenues:						
Local sources	277,566	364,180	-	-	277,566	364,180
State sources	845,144	820,452	-	-	845,144	820,452
On-behalf payments - local	700,706	709,191	-	-	700,706	709,191
On-behalf payments - state	596,696	573,280	-	-	596,696	573,280
Fees for services	-	-	711,142	524,428	711,142	524,428
Interest	1,045	955	4	-	1,049	955
Total revenues	<u>4,665,128</u>	<u>4,414,372</u>	<u>711,146</u>	<u>524,428</u>	<u>5,376,274</u>	<u>4,938,800</u>
Expenses:						
Program expenses:						
Salaries and benefits	1,490,789	1,414,444	408,389	323,568	1,899,178	1,738,012
Purchased services	1,028,223	913,859	264,243	290,372	1,292,466	1,204,231
Supplies and materials	87,168	99,751	16,306	27,584	103,474	127,335
Other objects	28,372	29,659	3,807	1,304	32,179	30,963
Payments to other governments	581,871	507,556	-	-	581,871	507,556
Pension expense	63,805	20,042	20,561	14,583	84,366	34,625
Administrative expenses:						
On-behalf payments - local	700,706	709,191	-	-	700,706	709,191
On-behalf payments - state	596,696	573,280	-	-	596,696	573,280
Total expenses	<u>4,577,630</u>	<u>4,267,782</u>	<u>713,306</u>	<u>657,411</u>	<u>5,290,936</u>	<u>4,925,193</u>
Other financing sources (uses):						
Operating transfers	<u>(333,083)</u>	<u>(284,204)</u>	<u>333,083</u>	<u>284,204</u>	<u>-</u>	<u>-</u>
Changes in net position	(245,585)	(137,614)	330,923	151,221	85,338	13,607
Net position, beginning	4,934,460	5,072,074	428,623	277,402	5,363,083	5,349,476
Net position, ending	<u>\$ 4,688,875</u>	<u>\$ 4,934,460</u>	<u>\$ 759,546</u>	<u>\$ 428,623</u>	<u>\$ 5,448,421</u>	<u>\$ 5,363,083</u>

Governmental Activities

Revenues for governmental activities were \$4,665,128 and expenditures were \$4,577,630. The increases in both revenues and expenditures were due to the proration of General State Aid payments and increases in State and Federal funding.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Business-Type Activities

Revenues for business-type activities were \$711,146 and expenses were \$713,306. The increase in revenues and expenditures were due to an increase in technology support income.

Financial Analysis of the ROE #56 Funds

As previously noted, the ROE #56 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The ROE's Governmental Funds reported combined fund balances amounting to \$4,617,807.

Governmental Fund Highlights

- State funding of Regional Offices of Education has continued to decrease compared to the previous year.
- The dollar return on investments (certificate of deposit, short-term investments and interest earned on float) decreased due to low interest rates.
- County support for the ROE #56 decreased from the previous year's total funding level.

Proprietary Fund Highlights

Total proprietary fund net position increased by \$330,923.

Budgetary Highlights

The ROE #56 annually adopts budgets for several funds. The Professional Development Alliance (PDA) Budget is prepared by the Executive Director of the PDA and approved by a joint Governing Board representing Will, Grundy, & Kendall Counties. The Regional Safe Schools Budget is approved by a similar board. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the County Board for their approval. The Office Operations Budget covers a fiscal year which runs from December 1 to November 30. All grant budgets are prepared by the Regional Office of Education #56 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Capital Assets

ROE #56's capital assets include office equipment, computers, audio-visual equipment, and building improvements. The ROE #56 maintains an inventory of capital assets which have been accumulated over time. For FY 2016, there were no additions of capital assets. Depreciation expense for both FY 2016 and FY 2015 was \$-0-.

See Note 11 on page 66 for more information regarding capital assets.

Economic Factors and Next Year's Budget

At the time these financial statements were prepared and audited, the Will County Regional Office of Education #56 was aware of several existing circumstances that could affect its financial condition in the future:

- County board support for ROE #56 is expected to maintain level funding from the FY 2016 funding level.
- The growth in the region is stable.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the ROE #56'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 Schools, Will County Regional Office of Education #56, 702 West Maple Street, New Lenox, Illinois 60451.

BASIC FINANCIAL STATEMENTS

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 4,285,886	\$ 414,953	\$ 4,700,839
Accounts receivable	9	131,767	131,776
Due (to) from other funds	(128,555)	128,555	-
Due from other governments	623,203	-	623,203
Prepaid expenses	25,614	-	25,614
Total Current Assets	4,806,157	675,275	5,481,432
TOTAL ASSETS	4,806,157	675,275	5,481,432
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	126,107	125,508	251,615
LIABILITIES			
Current Liabilities:			
Accounts payable	69,542	-	69,542
Accrued payroll	53,592	-	53,592
Due to other governments	7,369	-	7,369
Total Current Liabilities	130,503	-	130,503
Noncurrent Liabilities			
Net pension liability	96,890	36,240	133,130
TOTAL LIABILITIES	227,393	36,240	263,633
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	15,996	4,997	20,993
NET POSITION			
Restricted - other	964,699	-	964,699
Unrestricted	3,724,176	759,546	4,483,722
TOTAL NET POSITION	\$ 4,688,875	\$ 759,546	\$ 5,448,421

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instructional Services						
Salaries and benefits	\$ 1,490,789	\$ -	\$ 1,073,522	\$ (417,267)	\$ -	\$ (417,267)
Purchased services	1,028,223	-	504,959	(523,264)	-	(523,264)
Supplies and materials	87,168	-	19,914	(67,254)	-	(67,254)
Other objects	28,372	-	-	(28,372)	-	(28,372)
Payments to other governments	581,871	-	581,871	-	-	-
Pension expense	63,805	-	63,805	-	-	-
Administrative:						
On-behalf payments - Local	700,706	-	-	(700,706)	-	(700,706)
On-behalf payments - State	596,696	-	-	(596,696)	-	(596,696)
Total Governmental Activities	<u>4,577,630</u>	<u>-</u>	<u>2,244,071</u>	<u>(2,333,559)</u>	<u>-</u>	<u>(2,333,559)</u>
Business-Type Activities:						
Fees for services	692,745	711,142	-	-	18,397	18,397
Pension expense	20,561	-	-	-	(20,561)	(20,561)
Total Business-Type Activities	<u>713,306</u>	<u>711,142</u>	<u>-</u>	<u>-</u>	<u>(2,164)</u>	<u>(2,164)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 5,290,936</u>	<u>\$ 711,142</u>	<u>\$ 2,244,071</u>	<u>(2,333,559)</u>	<u>(2,164)</u>	<u>(2,335,723)</u>
GENERAL REVENUES:						
Local sources				277,566	-	277,566
State sources				845,044	-	845,044
On-behalf payments - Local				700,706	-	700,706
On-behalf payments - State				596,696	-	596,696
Transfer in (out)				(333,083)	333,083	-
Interest				1,045	4	1,049
Total General Revenues				<u>2,087,974</u>	<u>333,087</u>	<u>2,421,061</u>
CHANGE IN NET POSITION				(245,585)	330,923	85,338
NET POSITION - BEGINNING				<u>4,934,460</u>	<u>428,623</u>	<u>5,363,083</u>
NET POSITION - ENDING				<u>\$ 4,688,875</u>	<u>\$ 759,546</u>	<u>\$ 5,448,421</u>

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Institute Fund	Education Fund	Professional Development Alliance	Non-Major Funds	Eliminations	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 3,322,900	\$ 749,318	\$ 1,277	\$ -	\$ 212,391	\$ -	\$ 4,285,886
Accounts receivable	9	-	-	-	-	-	9
Due from other funds	322,591	-	-	-	-	(322,591)	-
Due from other governments	48,408	-	156,309	415,496	2,990	-	623,203
Prepaid expenses	25,614	-	-	-	-	-	25,614
TOTAL ASSETS	\$ 3,719,522	\$ 749,318	\$ 157,586	\$ 415,496	\$ 215,381	\$ (322,591)	\$ 4,934,712
LIABILITIES							
Accounts payable	\$ 8,369	\$ -	\$ 12,851	\$ 48,322	\$ -	\$ -	\$ 69,542
Accrued payroll	-	-	53,592	-	-	-	53,592
Due to other funds	198	-	91,077	359,871	-	(322,591)	128,555
Due to other governments	-	-	66	7,303	-	-	7,369
Total Liabilities	8,567	-	157,586	415,496	-	(322,591)	259,058
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	-	15,537	42,310	-	-	57,847
FUND BALANCE (DEFICIT)							
Nonspendable	25,614	-	-	-	-	-	25,614
Restricted	-	749,318	-	-	215,381	-	964,699
Unassigned	3,685,341	-	(15,537)	(42,310)	-	-	3,627,494
Total Fund Balances (Deficit)	3,710,955	749,318	(15,537)	(42,310)	215,381	-	4,617,807
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	\$ 3,719,522	\$ 749,318	\$ 157,586	\$ 415,496	\$ 215,381	\$ (322,591)	\$ 4,934,712

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

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 GOVERNMENTAL FUNDS
 JUNE 30, 2016

TOTAL FUND BALANCE — GOVERNMENTAL FUNDS \$ 4,617,807

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

Some revenues will not be collected for several months after the Regional Office fiscal year ends; they are not considered "available" revenues and are deferred in the governmental funds. 57,847

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	\$ 126,107	
Deferred inflows of resources	<u>(15,996)</u>	110,111

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

IMRF net pension liability	(34,674)	
TRS net pension liability	<u>(62,216)</u>	<u>(96,890)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 4,688,875

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Institute Fund	Education Fund	Professional Development Alliance	Non-Major Funds	Eliminations	Total Governmental Funds
REVENUES							
Local sources	\$ 55,325	\$ 198,189	\$ -	\$ -	\$ 24,052	\$ -	\$ 277,566
On-behalf payments - Local	700,706	-	-	-	-	-	700,706
State sources	897,185	-	526,259	362,082	2,990	-	1,788,516
On-behalf payments - State	292,323	-	-	-	-	-	292,323
Federal sources	-	-	569,732	750,519	-	-	1,320,251
Total Revenues	1,945,539	198,189	1,095,991	1,112,601	27,042	-	4,379,362
EXPENDITURES							
Instructional Services:							
Salaries and benefits	417,267	-	630,153	443,369	-	-	1,490,789
Pension expense	-	-	3,490	9,992	-	-	13,482
Purchased services	482,860	33,025	92,353	412,606	7,379	-	1,028,223
Supplies and materials	64,513	740	12,648	7,266	2,001	-	87,168
Other objects	28,372	-	-	-	-	-	28,372
Payments to other governments	-	-	377,692	204,179	-	-	581,871
On-behalf payments	993,029	-	-	-	-	-	993,029
Total Expenditures	1,986,041	33,765	1,116,336	1,077,412	9,380	-	4,222,934
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(40,502)	164,424	(20,345)	35,189	17,662	-	156,428
OTHER FINANCING SOURCES (USES):							
Transfers in	1,359,628	-	-	-	-	(1,359,628)	-
Transfers out	(1,359,628)	(333,083)	-	-	-	1,359,628	(333,083)
Interest	148	897	-	-	-	-	1,045
Total Other Financing Sources (Uses)	148	(332,186)	-	-	-	-	(332,038)
NET CHANGE IN FUND BALANCE (DEFICIT)	(40,354)	(167,762)	(20,345)	35,189	17,662	-	(175,610)
FUND BALANCE - BEGINNING (DEFICIT)	3,751,309	917,080	4,808	(77,499)	197,719	-	4,793,417
FUND BALANCE - ENDING (DEFICIT)	\$ 3,710,955	\$ 749,318	\$ (15,537)	\$ (42,310)	\$ 215,381	\$ -	\$ 4,617,807

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

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

NET CHANGE IN FUND BALANCE — GOVERNMENTAL FUNDS \$ (175,610)

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

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

Current year unavailable revenue	57,847	
Prior year unavailable revenue	<u>(77,499)</u>	<u>(19,652)</u>

Governmental funds report pension contributions as expenditures.

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

Pension contributions	\$ 13,482	
Cost of benefits earned, net	<u>(63,805)</u>	<u>(50,323)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (245,585)

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business Type Activities - Enterprise Funds		
	Local PDA Funds	(Nonmajor) Criminal Background Investigation	Total
ASSETS			
Cash and cash equivalents	\$ 283,454	\$ 131,499	\$ 414,953
Accounts receivable	131,767	-	131,767
Due from other funds	128,555	-	128,555
Due from other governments			-
Local	-	-	-
Total current assets	<u>543,776</u>	<u>131,499</u>	<u>675,275</u>
Noncurrent assets:			
Net pension asset	-	-	-
TOTAL ASSETS	<u>543,776</u>	<u>131,499</u>	<u>675,275</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>125,508</u>	<u>-</u>	<u>125,508</u>
LIABILITIES			
Noncurrent liabilities:			
Net pension liabilities	<u>36,240</u>	<u>-</u>	<u>36,240</u>
TOTAL LIABILITIES	<u>36,240</u>	<u>-</u>	<u>36,240</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>4,997</u>	<u>-</u>	<u>4,997</u>
NET POSITION			
Restricted - other	-	-	-
Unrestricted	<u>628,047</u>	<u>131,499</u>	<u>759,546</u>
TOTAL NET POSITION	<u>\$ 628,047</u>	<u>\$ 131,499</u>	<u>\$ 759,546</u>

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business Type Activities - Enterprise Funds		Total
	Local PDA Funds	(Nonmajor) Criminal Background Investigation	
OPERATING REVENUES			
Fees for services	\$ 625,819	\$ 85,323	\$ 711,142
Total Operating Revenues	<u>625,819</u>	<u>85,323</u>	<u>711,142</u>
OPERATING EXPENSES			
Salaries and benefits	408,389	-	408,389
Pension expense	20,561	-	20,561
Purchased services	192,960	71,283	264,243
Supplies and materials	15,690	616	16,306
Other objects	3,807	-	3,807
Total Operating Expenses	<u>641,407</u>	<u>71,899</u>	<u>713,306</u>
Operating Income (Loss)	<u>(15,588)</u>	<u>13,424</u>	<u>(2,164)</u>
NONOPERATING REVENUE			
Transfer In	333,083	-	333,083
Interest	4	-	4
Total Nonoperating Revenue	<u>333,087</u>	<u>-</u>	<u>333,087</u>
CHANGE IN NET POSITION	317,499	13,424	330,923
TOTAL NET POSITION - BEGINNING	<u>310,548</u>	<u>118,075</u>	<u>428,623</u>
TOTAL NET POSITION - ENDING	<u>\$ 628,047</u>	<u>\$ 131,499</u>	<u>\$ 759,546</u>

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business Type Activities - Enterprise Funds		
	Local PDA Funds	(Nonmajor) Criminal Background Investigation	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 524,800	\$ 94,733	\$ 619,533
Payments to suppliers and providers of goods and services	(235,059)	(78,297)	(313,356)
Payments to employees	(408,389)	-	(408,389)
Net Cash Provided by (Used for) Operating Activities	<u>(118,648)</u>	<u>16,436</u>	<u>(102,212)</u>
Cash Flows from Noncapital Financing Activities:			
Cash transfers from other funds	333,083	-	333,083
Payments for interfund borrowing, net	(105,837)	-	(105,837)
Net Cash Provided by Noncapital Financing Activities	<u>227,246</u>	<u>-</u>	<u>227,246</u>
Cash Flows from Investing Activities:			
Interest earned	4	-	4
Net Cash Provided by Investing Activities	<u>4</u>	<u>-</u>	<u>4</u>
Net Increase in Cash	108,602	16,436	125,038
Cash and cash equivalents - Beginning	<u>174,852</u>	<u>115,063</u>	<u>289,915</u>
Cash and cash equivalents - Ending	<u>\$ 283,454</u>	<u>\$ 131,499</u>	<u>\$ 414,953</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ (15,588)	\$ 13,424	\$ (2,164)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Pension reconciliation	20,561	-	20,561
Increase in accounts receivable	(100,604)	-	(100,604)
Decrease in due from other governments	-	9,410	9,410
Decrease in unearned revenue	(415)	-	(415)
Decrease in accounts payable	(22,602)	(6,398)	(29,000)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (118,648)</u>	<u>\$ 16,436</u>	<u>\$ (102,212)</u>

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

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Will County Regional Office of Education #56 was created by Illinois Public Act 76-735, as amended effective August 8, 1995, to develop and maintain education service for the school districts in Will County. The Will County Regional Office of Education #56 services 176 public schools and 46 private schools in the 30 districts within the county.

In 2016, the Regional Office of Education #56 implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; and GASB Statement No. 76, *The Hierarchy of Generally Accepted Principles for State and Local Governments – supersedes GASB Statement No. 55*. The implementation of GASB Statement No. 72 establishes guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments and disclosures. The implementation of GASB Statement No. 73 establishes required enhancements to financial statement disclosures by establishing a single framework for the presentation of information about pensions. The implementation of GASB Statement No. 76 prioritizes the guidance state and local governments follow when preparing financial statements in accordance with *Generally Accepted Accounting Principles*.

A. DATE OF MANAGEMENT’S REVIEW

Regional Office of Education #56 has evaluated subsequent events through November 15, 2017, 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 teacher institutes as well as to aid and encourage the formation of other teacher meetings and assist in their management; evaluate the schools in the region; examine evidence of indebtedness; file and keep the returns of elections required to be returned to the Regional Superintendent’s office; and file and keep the reports and statements returned by school treasurers and trustees.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

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 Will County Regional Office of Education #56's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

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

The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for the districts in the Will County Regional Office of Education #56, or see that no payments are made unless the treasurer has filed or renewed appropriate bond and that the district has certified publication of the annual financial report. The Regional Superintendent is required to provide opinions and advice related to controversies under school law.

For the period ended June 30, 2016, the Will County Regional Office of Education #56 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 Will County Regional Office of Education #56. Such activities are reported as a single special revenue fund (Education Fund).

C. SCOPE OF THE REPORTING ENTITY

The Will County Regional Office of Education #56 reporting entity includes all related organizations for which they exercise oversight responsibility.

The Will County Regional Office of Education #56 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the Will County Regional Office of Education #56, 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 Will County Regional Office of Education #56 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.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SCOPE OF THE REPORTING ENTITY (CONCLUDED)

Effective August 7, 1995, the Regional Office of Education #56 entered into an intergovernmental agreement with Grundy/Kendall Regional Office of Education #24 to establish the ROE Professional Development Alliance (PDA), the purpose of which is to provide professional development services to the local school districts of Will, Grundy, and Kendall Counties. The governing board consists of the Regional Superintendents of the Regional Offices of Education #s 56 and 24. The Regional Office of Education #56 was designated as the administrative agent and has reported the activity of this agreement in their financial statements.

Other districts and joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the Will County Regional Office of Education #56 does not control their assets, operations, or management. In addition, the Regional Office of Education #56 is not aware of any entity which would exercise such oversight as to result in the Regional Office of Education #56 being considered a component unit of the entity.

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 Will County Regional Office of Education #56'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 Will County Regional Office of Education #56 has two business-type activities; Local PDA Funds and the Criminal Background Investigation. The Local PDA Fund accounts for the revenues and expenditures associated with workshops put on by the Regional Office. The Criminal Background Investigation accounts for the assessments received from the school districts to pay for the processing of fingerprinting the substitute teachers and expenditures incurred providing this service to the school districts.

The Will County Regional Office of Education #56's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Will County Regional Office of Education #56 accompanied by a total column. These statements are presented on an "economic resources" measurement as prescribed by GASB Statement No. 34. All of the Will County Regional Office of Education #56's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services, and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, such as, payables, receivables and transfers. Interfund activities between governmental funds and proprietary funds appear as due to/due from on the governmental fund Balance Sheet and proprietary fund Statement of Net Position and as other 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.

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 present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and the net position and changes in net position presented in the government-wide financial statements.

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

Revenue received after the Regional Office's availability period are reported as deferred inflows of resources in the fund statements and are reported as current revenue in the Statement of Activities.

G. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The governmental funds financial statements focus on the measurement of spending or "financial flow" and the determination of changes in financial position, rather than upon net income determination. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current 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.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONCLUDED)

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 Will County Regional Office of Education #56; 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, Will County Regional Office of Education #56 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 Regional Office of Education #56's policy to first apply restricted funds to such programs, and then unrestricted funds. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned funds if any.

H. FUND ACCOUNTING

The Will County Regional Office of Education #56 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 Will County Regional Office of Education #56 uses governmental and proprietary funds.

GOVERNMENTAL FUNDS

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

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 Will County Regional Office of Education #56 has presented all major funds that met the above qualifications. The Will County Regional Office of Education #56 reports the following major governmental funds:

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (CONTINUED)

GOVERNMENTAL FUNDS (CONTINUED)

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

Interest Fund - Accounts for interest earned on deposits held in the Distributive Fund.

General Operations - Accounts for monies received for, and payment of, expenditures in connection with general administrative activities.

General State Aid - Accounts for grant monies received for, and payment of, expenditures for regional learning academy supplements.

Lincoln School - Accounts for all local funding expenditures and the general operations of the Lincoln School.

Major Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects. Major special revenue funds include the following:

Institute - Accounts for registration and renewal fees related to the teachers' licenses. Funds collected from registration and renewal fees are expended to defray costs incidental to the teachers' institutes, conferences, and workshops. All funds generated remain restricted until expended only on the aforementioned activities.

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

Title II - Teacher Quality - This program accounts for the proceeds of a grant from the Illinois State Board of Education to improve teacher effectiveness in the classroom.

McKinney Education for Homeless Children - Accounts for grant monies received for and payment of, expenditures associated with a Federal program designed to provide counseling and educational support to homeless children and their families. The programs are funded by a Federal Stewart B. McKinney Education for Homeless Children and Youth Grant administered through the Illinois State Board of Education.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (CONTINUED)

GOVERNMENTAL FUNDS (CONTINUED)

Major Special Revenue Fund (Continued)

Education (Concluded)

Regional Safe Schools - Accounts for the administration of monies to be used for the Regional Safe Schools Program Fund received from the Illinois State Board of Education.

Truants Alternative/Optional Education - Accounts for grant monies received for, and payment of, expenses of the Truants Alternative and Optional Education Program.

Professional Development Alliance (PDA) - Accounts for State, and federal funded programs designed to meet the indentified needs of the school districts within Will, Grundy, and Kendall Counties. These services are designed to improve the educational opportunities provided to students within these counties. Professional Development Alliance Funds include:

ROE/ISC Operations - Accounts for grant monies received for, and payment of, expenditures of the ROE/ISC Operations Fund.

Technology For Success - Accounts for monies from State of Illinois for expenditures incurred to create and support ongoing learning teams focused on alignment of classroom level assessment and instruction.

Title I - School Improvement and Accountability - Accounts for monies received for, and payment of, expenditures of the Title I – School Improvement and Accountability Fund. This grant provides school districts with funds to carry out their school improvement and corrective action responsibilities under Section 1116 (c) of Title I while offering students in schools identified for improvement and corrective action the opportunity to transfer to another higher performing school, including a public charter within the district.

Grundy/Kendall County ROE/ISC Operations - These funds are provided by the Illinois State Board of Education through a budget application process, to the Regional Office to provide professional development to district schools and teachers in Grundy and Kendall county school districts.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (CONCLUDED)

GOVERNMENTAL FUNDS (CONCLUDED)

The Will County Regional Office of Education #56 reports the following nonmajor governmental funds:

Nonmajor Special Revenue Funds - All other special revenue funds not classified under Education Fund or Professional Development Alliance are grouped under this fund for financial statement presentation.

General Education Development (GED) - Accounts for the administration of the GED Testing Program. Revenues consist of fees collected for testing, diplomas, and materials.

Bus Driver Training - Accounts for bus drivers' permit fees which may be expended for bus drivers' refresher courses.

PROPRIETARY FUNDS

Proprietary Fund - The Proprietary Fund accounts for revenue and expenses related to services provided to organizations inside the Regional Office of Education #56 on a cost-reimbursement basis. The Regional Office of Education #56 reports the following major proprietary fund:

Local Professional Development Alliance (PDA) Funds - Accounts for the revenues and expenditures associated with workshops put on by the Will County Regional Office of Education #56.

The Regional Office of Education #56 reports the following nonmajor proprietary fund:

Criminal Background Investigation - Accounts for the assessments received from the school districts to pay for the processing of fingerprinting the substitute teachers and expenditures incurred providing this service to the school districts.

I. GOVERNMENTAL FUND BALANCES

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

Nonspendable Fund Balance - The portion of a governmental fund's net position that are not available to be spent, either short term or long term, due to either their form or legal restrictions. The Regional Office of Education #56 has a nonspendable fund balance in the General Fund's General State Aid fund.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. GOVERNMENTAL FUND BALANCES (CONCLUDED)

Restricted Fund Balance - The portion of a governmental fund's net position that are subject to external enforceable legal restrictions. The following funds are restricted by Illinois Statute: Institute Fund, General Education Development and Bus Driver Training. Technology for Success is restricted due to grantor restrictions.

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 #56 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 #56 has no assigned fund balances.

Unassigned Fund Balance - Available expendable financial resources in a governmental fund that are not designated for a specific purpose. The Regional Office of Education #56 has unassigned fund balances in the General Fund's Interest Fund, General Operations, General State Aid, and Lincoln School funds. Additionally, the Regional Office of Education #56 has an unassigned fund deficit in the McKinney Education for Homeless Children Education fund and the Professional Development Alliance fund's Title I - School Improvement and Accountability fund.

J. 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.

K. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash on deposit. The Will County Regional Office of Education #56 considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives (three to five years) of the respective assets.

M. COMPENSATED ABSENCES

The employees of the Regional Office earn vacation days based on the number of full-time years worked as follows: 10 days for full-time staff employed 5 years or less; 15 days for full-time staff employed between 5 and 10 years; 20 days for full-time staff employed more than 15 years. Vacation days cannot be accumulated and carried forward to the next fiscal year; therefore, no liability is accrued.

The Executive Director of PDA receives 25 sick days annually. All other eligible employees receive up to 15 sick days annually. There is no limit on the amount of sick days 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.

N. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

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

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

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

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

O. 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.

P. BUDGET INFORMATION

The Will County Regional Office of Education #56 acts as the administrative agent for certain grant programs that are accounted for in the General and Education Fund. Certain programs have separate budgets and are required to report to the Illinois State Board of Education, however, none of the annual budgets have been legally adopted nor are they required to do so. Comparisons of budgeted and actual results are presented as supplemental information.

Budgetary comparison schedules have been provided in supplementary schedules for the following funds: Title II - Teacher Quality (16-4935-02), Title II - Teacher Quality (15-4935-02), McKinney Education for Homeless Children (16-4920-00), McKinney Education for Homeless Children (15-4920-00), Regional Safe Schools, Truants Alternative/Optional Education, ROE/ISC Operations, Technology for Success, Title I - School Improvement and Accountability, and Grundy/Kendall County ROE/ISC Operations.

NOTE 2 – DEPOSITS AND INVESTMENTS

The *Illinois Compiled Statutes* authorize the Will County Regional Office of Education #56 to make deposits and invest in U.S. Government, State of Illinois and municipal securities, certificates of deposit or time savings deposits insured by the FDIC, mortgage notes, bonds, or debentures issued by the Federal Housing Administration, bonds and other obligations of the Federal National Mortgage Association, commercial paper rated within the three highest classifications by at least two standard rating services, credit union shares, and the Illinois Public Treasurer's Investment Pool.

A. DEPOSITS

At June 30, 2016, the carrying amount of the Will County Regional Office of Education #56's government-wide fund deposits were \$4,700,839 and the bank balance was \$4,801,551. Of the total bank balances as of June 30, 2016, \$862,793 was secured by Federal Depository Insurance Corporation (FDIC), \$526,478 was invested in the Illinois Funds Money Market Fund, and \$3,412,280 was collateralized by securities pledged by the Regional Office of Education #56's financial institution in the name of the Regional Office.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 2 – DEPOSITS AND INVESTMENTS (Concluded)

B. INVESTMENTS

The Will County Regional Office of Education #56 requires that funds be invested solely in investments authorized by the Public Funds Investment Act, 30 ILCS 235/2. As noted above, as of June 30, 2016, the Will County Regional Office of Education #56 had investments with a carrying and fair value of \$526,478 invested in the Illinois Funds Money Market, which is reported as cash and cash equivalents in the financial statements.

CREDIT RISK

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

The PNC Municipal Investment Fund had a Standard and Poor's AAAM rating. This fund is authorized for public entities and political subdivisions of the State of Illinois. It invests in U.S. Treasury securities, commercial paper rated A2 or above, certificates of deposit and interest-bearing savings accounts, and any other investments permissible under 30 ILCS 235/2.

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.

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 deposits cannot exceed 10% of any single financial institution's total deposits.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 3 – DEFINED BENEFIT PENSION PLAN

IMRF Plan Description

The Regional Office of Education #56'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 #56'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 of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided

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

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

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

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

Employees Covered by Benefit Terms

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

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)

	IMRF
Retirees and Beneficiaries currently receiving benefits	10
Inactive Plan Members entitled to but not yet receiving benefits	8
Active Plan Members	7
Total	25

Contributions

As set by statute, the Regional Office of Education #56’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 #56’s annual contribution rate for calendar year 2015 was 5.91%. For the calendar year ended 2015, the Regional Office of Education #56 contributed \$20,164 to the plan. The Regional Office of Education #56 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 #56’s net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)

- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2015:

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

Single Discount Rate

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

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

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

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (Asset) (A) - (B)
	<u>(A)</u>	<u>(B)</u>	<u>(A) - (B)</u>
Balances at December 31, 2014	\$ 1,474,345	\$ 1,634,765	\$ (160,420)
Changes for the year:			
Service Cost	42,078	-	42,078
Interest on the Total Pension Liability	109,141	-	109,141
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	139,396	-	139,396
Changes of Assumptions	-	-	-
Contributions - Employer	-	20,165	(20,165)
Contributions - Employees	-	15,354	(15,354)
Net Investment Income	-	27,654	(27,654)
Benefit Payments, including Refunds of Employee Contributions	(95,802)	(95,802)	-
Other (Net Transfer)	-	(3,892)	3,892
Net Changes	<u>194,813</u>	<u>(36,521)</u>	<u>231,334</u>
Balances at December 31, 2015	<u>\$ 1,669,158</u>	<u>\$ 1,598,244</u>	<u>\$ 70,914</u>

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

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

	1% Lower 6.50%	Current Discount 7.50%	1% Higher 8.50%
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Net Pension Liability	\$ 352,455	\$ 70,914	\$ (121,354)

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

For the year ending June 30, 2016, the Regional Office of Education #56 recognized pension expense of \$92,579. At June 30, 2016, the Regional Office of Education #56 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Concluded)

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ 104,509	\$ 9,779
Changes of assumptions	29,212	-
Net difference between projected and actual earnings on pension plan investments	<u>101,534</u>	<u>-</u>
Total Deferred Amounts to be recognized in pension expense in future periods	<u>235,255</u>	<u>9,779</u>
Pension Contributions made subsequent to the Measurement Date	<u>10,340</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u><u>\$ 245,595</u></u>	<u><u>\$ 9,779</u></u>

\$10,340 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, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending December 31	Net Deferred Outflows of Resources
2016	\$ 72,402
2017	72,237
2018	62,453
2019	18,384
Thereafter	<u>-</u>
Total	<u><u>\$ 225,476</u></u>

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

The Will County Regional Office of Education #56 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.

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

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

Contributions

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

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2016, was 9.4 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the Regional Office of Education #56.

On behalf contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #56. For the year ended June 30, 2016, State of Illinois contributions recognized by the Regional Office of Education #56 were based on the State’s proportionate share of the collective net pension liability associated with the Regional Office of Education #56, and the Regional Office of Education #56 recognized revenue and expenditures of \$304,373 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, 2016 were \$3,490, and are deferred because they were paid after the June 30, 2015 measurement date.

Federal and special trust fund contributions. When TRS members are paid from federal and special trust funds administered by the Will County Regional Office of Education #56, there is a statutory requirement for the Regional Office of Education #56 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the State contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2016, the employer pension contribution was 36.06 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2016 no contributions were required for salaries made from federal and special trust funds.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

Employer retirement cost contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The Regional Office of Education #56 is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member’s age and salary. The maximum employer ERO contribution under the current program is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2016, the Regional Office of Education #56 paid no employer ERO contributions

The Regional Office of Education #56 is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree’s final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2016 the Regional Office of Education #56 made no payments to TRS for employer contributions due on salary increases in excess of 6 percent and no payments for sick leave days granted in excess of the normal allotment.

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

At June 30, 2016 the Regional Office of Education #56 reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for State pension support provided to the employer. The State’s support and total are for disclosure purposes only. The amount recognized by the employer as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the employer were as follow:

Employer’s proportionate share of the net pension liability	\$ 62,216
State’s proportionate share of the net pension liability associated with the employer	3,715,110
Total	<u>\$ 3,777,326</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, and rolled forward to June 30, 2015. The Regional Office of Education #56’s proportion of the net pension liability was based on the employer’s share of contributions to TRS for the measurement year ended June 30, 2015, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2015, the Regional Office of Education #56’s proportion was .0000949716 percent, which was an increase of .0000008086 percent from its proportion measured as of June 30, 2014.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

For the year ended June 30, 2016, the Regional Office of Education #56 recognized pension expense of \$304,373 and revenue of \$304,373 for support provided by the State. For the year ended June 30, 2016, the Regional Office of Education #56 recognized pension expense of \$2,233. At June 30, 2016, the Regional Office of Education #56 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23	\$ 68
Net difference between projected and actual earnings on pension plan investments	1,232	2,179
Change of assumptions	860	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	412	8,967
Employer contributions subsequent to the measurement date	3,490	-
Total	\$ 6,017	\$ 11,214

\$3,490 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, 2017. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (2,979)
2018	(2,979)
2019	(2,979)
2020	249
	\$ (8,688)

Actuarial assumptions

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

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

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Continued)

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

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

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

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

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (Concluded)

Discount Rate

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

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

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

Sensitivity of the Regional Office of Education #56’s proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease (6.47%)	Current Discount Rate (7.47%)	1% Increase (8.47%)
Employer's proportionate share of the net pension liability	\$ 76,884	\$ 62,216	\$ 50,188

TRS fiduciary net position

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

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 5 – TEACHERS’ HEALTH INSURANCE SECURITY FUND

The Regional Office of Education #56 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 THIS Fund and amendments to the plan can be made only by legislative action with the Governor’s approval. The plan is administered by Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 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 #56. State contributions are intended to match contributions to the THIS Fund from active members which were 1.07 percent of pay during the year ended June 30, 2016. State of Illinois contributions were \$6,439, and the Regional Office of Education #56 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2015 and June 30, 2014 were 1.02 and 0.97 percent of pay, respectively. State contributions on behalf of the Regional Office of Education #56 employees were \$5,851 and \$5,636, respectively.

Employer contributions to THIS Fund. The Regional Office of Education #56 also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.80 percent during the year ended June 30, 2016 and 0.76 and 0.72 percent during the years ended June 30, 2015 and June 30, 2014, respectively. For the year ended June 30, 2016, the Regional Office of Education #56 paid \$4,814 to the THIS Fund, which was 91 percent of the required contribution. For the years ended June 30, 2015 and 2014, the Regional Office paid \$4,360 and \$4,183 to the THIS Fund, respectively, which was 100 percent of the required contribution.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 5 – TEACHERS’ HEALTH INSURANCE SECURITY FUND (Concluded)

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

NOTE 6 – 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. In the Professional Development Fund Accounts, the Title I - School Improvement and Accountability fund had a fund deficit of \$42,310. Also, in the Education Fund Accounts, the McKinney Education for Homeless Children fund had a fund deficit of \$15,537 as of June 30, 2016.

NOTE 7 – INTERFUND ACTIVITY

DUE TO/FROM OTHER FUNDS

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

	Due From Other Funds	Due To Other Funds
Education Fund	\$ -	\$ 91,077
Professional Development Alliance Fund	-	359,871
General Fund	322,591	198
Proprietary Fund	128,555	-
Total	\$ 451,146	\$ 451,146

TRANSFERS IN/OUT

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

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 7 – INTERFUND ACTIVITY (Concluded)

TRANSFERS IN/OUT (Concluded)

	Transfers In	Transfers Out
Education Fund	\$ -	\$ -
General Fund	1,359,628	1,359,628
Institute Fund	-	333,083
Proprietary Fund	333,083	-
Total	\$ 1,692,711	\$ 1,692,711

NOTE 8 – RISK MANAGEMENT

The Will County Regional Office of Education #56 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 Will County Regional Office of Education #56 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 9 – OPERATING LEASE

Will County Regional Office of Education #56 rents office space from Professional Development Alliance Fund operations. The lease agreement, which originally commenced on June 1, 2012 expired on May 31, 2015. However, the lease was renewed as of June 1, 2015 and will expire on May 31, 2017. Rental expense for the year ended June 30, 2016 was \$96,000.

The future minimum lease payments under this agreement are as follows:

Fiscal Year	Amount
2017	\$ 88,000
Total	\$ 88,000

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 10 – DUE TO/FROM OTHER GOVERNMENTS

The Will County Regional Office of Education #56's General Fund and Education Fund have funds due from/to various other governmental units which consist of the following:

Due From Other Governments:

General Fund

Local Governments	\$ 48,408
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Education Fund

Illinois State Board of Education	156,309
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Professional Development Alliance Fund

Local Governments	44,872
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Illinois State Board of Education	370,624
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Total Professional Development Alliance Fund	415,496
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Non-Major Funds

Illinois State Board of Education	2,990
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<i>Total Due From Other Governments</i>	<u>\$ 623,203</u>
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Due To Other Governments:

Education Fund

Illinois State Board of Education	\$ 66
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Professional Development Alliance Fund

Local Governments	4,292
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Illinois State Board of Education	3,011
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Total Professional Development Alliance Fund	7,303
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<i>Total Due To Other Governments</i>	<u>\$ 7,369</u>
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**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 11 – CAPITAL ASSET ACTIVITY

In accordance with GASB Statement No. 34, the Will County Regional Office of Education #56 has reported capital assets in the government-wide Statement of Net Position. Purchases are reported as capital outlay in the governmental fund statements. Purchases of business-type activities are capitalized when purchased. The Regional Office’s assets are composed of furniture and equipment. The following table provides a summary of changes in total assets, accumulated depreciation, and investment in capital assets for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities:				
Equipment	\$ 54,766	\$ -	\$ -	\$ 54,766
Building Improvements	90,439	-	-	90,439
Governmental Activities Total Assets	<u>145,205</u>	<u>-</u>	<u>-</u>	<u>145,205</u>
Less Accumulated Depreciation	145,205	-	-	145,205
Total Accumulated Depreciation	<u>145,205</u>	<u>-</u>	<u>-</u>	<u>145,205</u>
Governmental Activities				
Investment in Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type Activities:				
Equipment	\$ 37,508	\$ -	\$ -	\$ 37,508
Business-type Activities Total Assets	<u>37,508</u>	<u>-</u>	<u>-</u>	<u>37,508</u>
Less Accumulated Depreciation	37,508	-	-	37,508
Total Accumulated Depreciation	<u>37,508</u>	<u>-</u>	<u>-</u>	<u>37,508</u>
Business-type Activities				
Investment in Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. There was no depreciation expense for the year ended June 30, 2016 charged to the governmental activities or the business-type activities on the government-wide Statement of Activities. Investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 12 – ON-BEHALF PAYMENTS

Will County pays certain expenditures on behalf of the Regional Office of Education #56. The expenditures paid by Will County for the year ended June 30, 2016, were as follows:

Salaries and Benefits	\$ 660,974
Purchased Services	32,415
Supplies and Materials	<u>7,317</u>
	<u>\$ 700,706</u>

The State of Illinois paid the following salaries, benefits, and contributions on behalf of the Will County Regional Office of Education #56:

Regional Superintendent Salary	\$ 112,008
Assistant Regional Superintendent Salary	100,812
Regional Superintendent Benefits (Includes State paid insurance)	39,113
Assistant Regional Superintendent Benefits (Includes State paid insurance)	33,951
Teachers' Health Insurance Security (THIS) Fund Contributions	<u>6,439</u>
Total	<u>\$ 292,323</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 (ISBE). These amounts have been recorded in the accompanying governmental fund financial statements as State revenue and expenditures of the General Fund.

Regional Office of Education #56 also recorded \$304,373 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 #56 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	\$ 292,323
ROE #56's share of TRS pension expense	<u>304,373</u>
Total	<u>\$ 596,696</u>

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE

Plan Description. The ROE #56 employees are covered by the Professional Development Alliance (PDA) health insurance plan. PDA provides postemployment health care for eligible retired employees and their dependents through a self-insured individual plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by the Lincolnway Area Affiliation of Participating Schools Districts (the Cooperative) Employee Benefit Plan, which PDA is a member of, and can be amended by the Cooperative’s Board of Trustees. The plan does not issue a separate report.

Benefits Provided. The ROE #56 provides postemployment health care for eligible retired employees and their dependents through PDA. Employees who terminate after meeting the age and service requirements for retirement are eligible to continue their health care plan coverage with PDA by paying the monthly premium rate. The benefit levels are the same as those afforded to active employees. The benefits include general outpatient and inpatient medical services; mental, nervous, and substance abuse care; vision care, dental care; and prescriptions.

Participant Data. At June 30, 2016 (the County’s fiscal year end), participant data consisted of:

Participants

Actives fully eligible to retire	-
Actives not yet fully eligible to retire	6
Retirees and dependents	<u> -</u>
	<u> 6</u>

Annual OPEB Cost and Net OPEB Obligation. The annual OPEB cost is calculated based on the annual required contribution (ARC). The ARC represents the normal cost each year and an amount to amortize the unfunded actuarial liability over a period of thirty years.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE (Continued)

Trend Data. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information 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 liabilities for benefits.

Components of Net OPEB Obligation and Expense as of June 30, 2016:

Annual Required Contribution	\$ 4,873
Interest on net OPEB obligation	194
Adjustment to annual required contribution	(161)
Annual OPEB cost	4,906
Contributions made	-
Increase in net OPEB obligation	4,906
Net OPEB obligation – beginning of year	4,841
Net OPEB obligation – end of year	\$ 9,747

Schedule of Contributions, OPEB Costs and Net Obligations

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/16	\$ 4,906	0%	\$9,747

Funded Status and Funding Progress. As of June 30, 2016, the actuarial accrued liability for benefits was \$34,667. The covered payroll was approximately \$370,635 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.4%.

Actuarial Method and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE (Concluded)

In the actuarial valuation for the fiscal year ended June 30, 2016, the entry age normal cost method was used. The initial actuarial assumptions included an annual healthcare cost trend rate of 7.8% (PPO Plan) and 3.5% (Dental Plan), were reduced to an ultimate rate of 5% (PPO Plan) and 3.5% (Dental Plan). Rates include a 2.5% general inflation assumption. The Unfunded Accrued Actuarial Liability is being amortized as a level percent of pay and is being amortized over 30 years.

Schedule of Funded Status and Funding Progress

Actuarial Accrued Liability (AAL)	\$ 34,667
Actuarial Value of Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 34,667</u></u>
Funded Ratio	0%
Covered Payroll (Active Plan Members)	\$ 370,635
UAAL as a % of Covered Payroll	9.35%

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY & RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND
CALENDAR YEARS 2015 AND 2014

Calendar Year Ended December 31,	2015	2014
Total Pension Liability		
Service Cost	\$ 42,078	\$ 49,868
Interest on the Total Pension Liability	109,141	100,073
Differences Between Expected and Actual Experience of the Total Pension Liability	139,396	(19,639)
Changes of Assumptions	-	58,670
Benefit Payments, including Refunds of Employee Contributions	(95,802)	(47,571)
Net Change in Total Pension Liability	194,813	141,401
 Total Pension Liability - Beginning	 1,474,345	 1,332,944
 Total Pension Liability - Ending (A)	 \$ 1,669,158	 \$ 1,474,345
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 20,165	\$ 39,390
Contributions - Employees	15,354	22,331
Net Investment Income	27,654	68,005
Benefit Payments, including Refunds of Employee Contributions	(95,802)	(47,571)
Other (Net Transfer)	(3,892)	(897)
Net Change in Plan Fiduciary Net Position	(36,521)	81,258
 Plan Fiduciary Net Position - Beginning	 1,634,765	 1,553,507
 Plan Fiduciary Net Position - Ending (B)	 \$ 1,598,244	 \$ 1,634,765
 Net Pension Liability (Asset)- Ending (A) - (B)	 \$ 70,914	 \$ (160,420)
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 95.75%	 110.88%
 Covered Valuation Payroll	 341,197	 373,016
 Net Pension Liability (Asset) as a Percentage of Covered Valuation Payroll	 20.78%	 (43.01%)

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.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND
CALENDAR YEARS 2015 AND 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
2015	\$ 20,165 *	\$ 20,164	\$ 1	\$ 341,197	5.91%
2014	37,077	39,390	(2,313)	373,016	10.56%

Notes to Schedule:

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

Valuation Date:

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

Methods and Assumptions Used to Determine 2015 Contribution Rates:

<i>Actuarial Cost Method:</i>	Aggregate entry age normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	28-year closed period
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	4%
<i>Price Inflation:</i>	3%, approximate; No explicit price inflation assumption is used in this valuation.
<i>Salary Increases:</i>	4.40% to 16%, including inflation
<i>Investment Rate of Return:</i>	7.50%
<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 percent of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes: There were no benefit changes during the year.

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

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
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, 2016 *

	2015	2014
Employer's proportion of the net pension liability	0.0000949716%	0.0000941630%
Employer's proportionate share of the net pension liability	\$ 62,216	\$ 57,306
State's proportionate share of the net pension liability associated with the employer	3,715,110	3,573,659
Total	\$ 3,777,326	\$ 3,630,965
Employer's covered-employee payroll	\$ 573,653	\$ 677,630
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	10.8%	8.5%
Plan fiduciary net position as a percentage of the total pension liability	41.5%	43.0%

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
FOR THE YEAR ENDED JUNE 30, 2016 †

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
2016	\$ 3,490	\$ 3,490	\$ -	\$ 601,808	0.6%
2015	3,327	3,327	-	573,653	0.6%
2014	3,370	3,375	(5)	677,630	0.5%

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

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 OTHER POST-EMPLOYMENT BENEFITS - HEALTH INSURANCE
 PLAN FOR RETIRED EMPLOYEES
 SCHEDULE OF FUNDING PROGRESS
 (UNAUDITED)
 June 30, 2016

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)
6/30/15	\$ -	\$ 34,667	\$ 34,667	0.00%	\$ 370,635	9.35%
6/30/14	-	-	-	-	-	-
6/30/13	-	-	-	-	-	-

OTHER SUPPLEMENTAL INFORMATION

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
JUNE 30, 2016

	Interest Fund	General Operations	General State Aid	Lincoln School	TOTALS
ASSETS					
Cash and cash equivalents	\$ -	\$ 15,519	\$ 3,276,043	\$ 31,338	\$ 3,322,900
Accounts receivable	-	9	-	-	9
Due from other funds	11,355	-	311,236	-	322,591
Due from other governments	-	-	48,408	-	48,408
Prepaid expenses	-	-	25,614	-	25,614
TOTAL ASSETS	\$ 11,355	\$ 15,528	\$ 3,661,301	\$ 31,338	\$ 3,719,522
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 7,224	\$ 1,145	\$ 8,369
Due to other funds	198	-	-	-	198
Accrued payroll	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	198	-	7,224	1,145	8,567
FUND BALANCE					
Nonspendable	-	-	25,614	-	25,614
Unassigned	11,157	15,528	3,628,463	30,193	3,685,341
Total Fund Balance	11,157	15,528	3,654,077	30,193	3,710,955
TOTAL LIABILITIES AND FUND BALANCE	\$ 11,355	\$ 15,528	\$ 3,661,301	\$ 31,338	\$ 3,719,522

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2016

	Interest Fund	General Operations	General State Aid	Lincoln School	TOTALS
REVENUES					
Local sources	\$ -	\$ 29,994	\$ -	\$ 25,331	\$ 55,325
On-behalf payments - Local	-	700,706	-	-	700,706
State sources	-	-	897,185	-	897,185
On-behalf payments - State	-	292,323	-	-	292,323
Total Revenues	-	1,023,023	897,185	25,331	1,945,539
EXPENDITURES					
Salaries and benefits	-	-	415,007	2,260	417,267
Purchased services	-	11,480	433,018	38,362	482,860
Supplies and materials	-	8,344	45,144	11,025	64,513
Other objects	-	-	28,372	-	28,372
On-behalf payments	-	993,029	-	-	993,029
Total Expenditures	-	1,012,853	921,541	51,647	1,986,041
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	10,170	(24,356)	(26,316)	(40,502)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	933,289	426,339	-	1,359,628
Transfers out	-	(933,289)	(426,339)	-	(1,359,628)
Interest	11	-	137	-	148
Total Other Financing Sources (Uses)	11	-	137	-	148
NET CHANGE IN FUND BALANCE	11	10,170	(24,219)	(26,316)	(40,354)
FUND BALANCE - BEGINNING	11,146	5,358	3,678,296	56,509	3,751,309
FUND BALANCE - ENDING	\$ 11,157	\$ 15,528	\$ 3,654,077	\$ 30,193	\$ 3,710,955

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2016

	Title II - Teacher Quality	McKinney Education for Homeless Children	Regional Safe Schools	Truants Alternative/Optional Education	TOTALS
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,277	\$ 1,277
Due from other governments		68,601	53,054	34,654	156,309
TOTAL ASSETS	\$ -	\$ 68,601	\$ 53,054	\$ 35,931	\$ 157,586
LIABILITIES					
Accounts payable	\$ -	\$ 4,955	\$ 2,944	\$ 4,952	\$ 12,851
Accrued payroll	-	10,582	25,121	17,889	53,592
Due to other funds	-	53,064	24,960	13,053	91,077
Due to other governments	-	-	29	37	66
Total Liabilities	-	68,601	53,054	35,931	157,586
DEFERRED INFLOW OF RESOURCES					
Unavailable revenue	-	15,537	-	-	15,537
FUND BALANCE					
Restricted	-	-	-	-	-
Unassigned	-	(15,537)	-	-	(15,537)
Total Fund Balance	-	(15,537)	-	-	(15,537)
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ -	\$ 68,601	\$ 53,054	\$ 35,931	\$ 157,586

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2016

	Title II - Teacher Quality	McKinney Education for Homeless Children	Regional Safe Schools	Truants Alternative/Optional Education	TOTALS
REVENUES					
State sources	\$ -	\$ -	\$ 318,333	\$ 207,926	\$ 526,259
Federal sources	18,400	551,332	-	-	569,732
Total Revenues	<u>18,400</u>	<u>551,332</u>	<u>318,333</u>	<u>207,926</u>	<u>1,095,991</u>
EXPENDITURES					
Salaries and benefits	-	137,566	294,711	197,876	630,153
Pension expense	-	-	3,490	-	3,490
Purchased services	18,400	41,726	21,513	10,714	92,353
Supplies and materials	-	9,885	1,563	1,200	12,648
Payments to other governments	-	377,692	-	-	377,692
Total Expenditures	<u>18,400</u>	<u>566,869</u>	<u>321,277</u>	<u>209,790</u>	<u>1,116,336</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(15,537)</u>	<u>(2,944)</u>	<u>(1,864)</u>	<u>(20,345)</u>
OTHER FINANCING SOURCES					
Transfer in	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	(15,537)	(2,944)	(1,864)	(20,345)
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>2,944</u>	<u>1,864</u>	<u>4,808</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ (15,537)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,537)</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION # 56

Budgetary Comparison Schedule
Education Fund Account
Title II - Teacher Quality (16-4935-02)

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 18,454	\$ 18,454	\$ 18,400
Total Revenues	<u>18,454</u>	<u>18,454</u>	<u>18,400</u>
Expenditures			
Purchased services	18,454	18,454	18,400
Total Expenditures	<u>18,454</u>	<u>18,454</u>	<u>18,400</u>
Net Change in Fund Balance	\$ -	-	\$ -
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION # 56

Budgetary Comparison Schedule
Education Fund Account
Title II - Teacher Quality (15-4935-02)

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 23,067	\$ 22,800	\$ -
Total Revenues	<u>23,067</u>	<u>22,800</u>	<u>-</u>
Expenditures			
Purchased services	23,067	22,800	-
Total Expenditures	<u>23,067</u>	<u>22,800</u>	<u>-</u>
Net Change in Fund Balance	\$ -	-	\$ -
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION # 56

Budgetary Comparison Schedule
Education Fund Account
McKinney Education for Homeless Children (16-4920-00)

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 500,000	\$ 566,870	\$ 550,553
Total Revenues	<u>500,000</u>	<u>566,870</u>	<u>550,553</u>
Expenditures			
Salaries and benefits	126,983	137,564	137,566
Purchased services	30,125	41,690	40,947
Supplies and materials	9,700	9,024	9,885
Capital outlay	600	900	-
Payments to other governments	332,592	377,692	377,692
Total Expenditures	<u>500,000</u>	<u>566,870</u>	<u>566,090</u>
Net Change in Fund Balance	\$ -	-	\$ (15,537)
Fund Balance, Beginning of Year	<u> </u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (15,537)</u></u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION # 56

Budgetary Comparison Schedule
Education Fund Account
McKinney Education for Homeless Children (15-4920-00)

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 500,000	\$ 516,709	\$ 779
Total Revenues	<u>500,000</u>	<u>516,709</u>	<u>779</u>
Expenditures			
Salaries and benefits	-	82,725	-
Purchased services	155,608	83,883	779
Supplies and materials	8,700	16,309	-
Capital outlay	600	600	-
Payments to other governments	335,092	333,192	-
Total Expenditures	<u>500,000</u>	<u>516,709</u>	<u>779</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION # 56

Budgetary Comparison Schedule
Education Fund Account
Regional Safe Schools

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 318,333	\$ 318,333	\$ 318,333
Total Revenues	<u>318,333</u>	<u>318,333</u>	<u>318,333</u>
Expenditures			
Salaries and benefits	296,998	296,998	294,711
Pension expense	-	-	3,490
Purchased services	19,772	19,772	21,513
Supplies and materials	1,563	1,563	1,563
Other objects	-	-	-
Payments to other governments	-	-	-
Total Expenditures	<u>318,333</u>	<u>318,333</u>	<u>321,277</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(2,944)</u>
Other Financing Sources (Uses):			
Transfer in	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	\$ -	\$ -	\$ (2,944)
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>2,944</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION # 56

Budgetary Comparison Schedule
Education Fund Account
Truants Alternative / Optional Education

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 207,926	\$ 207,926	\$ 207,926
Total Revenues	<u>207,926</u>	<u>207,926</u>	<u>207,926</u>
Expenditures			
Salaries and benefits	195,273	195,273	197,876
Purchased services	11,053	11,053	10,714
Supplies and materials	1,600	1,600	1,200
Other objects	-	-	-
Total Expenditures	<u>207,926</u>	<u>207,926</u>	<u>209,790</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(1,864)</u>
Other Financing Sources (Uses):			
Transfer in	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	\$ -	\$ -	\$ (1,864)
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>1,864</u>
Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING SCHEDULE OF ACCOUNTS
PROFESSIONAL DEVELOPMENT ALLIANCE FUND
JUNE 30, 2016

	ROE/ISC Operations	Technology for Success	Title I - School Improvement and Accountability	Grundy/Kendall County ROE/ISC Operations	TOTALS
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	200,707	44,872	64,080	105,837	415,496
Total Assets	\$ 200,707	\$ 44,872	\$ 64,080	\$ 105,837	\$ 415,496
LIABILITIES					
Accounts payable	\$ 30	\$ 735	\$ 47,557	\$ -	\$ 48,322
Due to other funds	200,677	39,845	13,512	105,837	359,871
Due to other governments	-	4,292	3,011	-	7,303
Total Liabilities	200,707	44,872	64,080	105,837	415,496
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	42,310	-	42,310
FUND BALANCE (DEFICIT)					
Restricted	-	-	-	-	-
Unassigned	-	-	(42,310)	-	(42,310)
Total Fund Balance (Deficit)	-	-	(42,310)	-	(42,310)
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE (DEFICIT)	\$ 200,707	\$ 44,872	\$ 64,080	\$ 105,837	\$ 415,496

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
PROFESSIONAL DEVELOPMENT ALLIANCE FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2016

	ROE/ISC Operations	Technology for Success	Title I - School Improvement and Accountability	Grundy/Kendall County ROE/ISC Operations	TOTALS
REVENUES					
State sources	\$ 200,707	\$ 55,538	\$ -	\$ 105,837	\$ 362,082
Federal sources	-	-	750,519	-	750,519
Total Revenues	<u>200,707</u>	<u>55,538</u>	<u>750,519</u>	<u>105,837</u>	<u>1,112,601</u>
EXPENDITURES					
Salaries and benefits	123,837	50,881	223,613	45,038	443,369
Pension expense	4,768	2,293	1,422	1,509	9,992
Purchased services	72,102	2,364	278,850	59,290	412,606
Supplies and materials	-	-	7,266	-	7,266
Payments to other governments	-	-	204,179	-	204,179
Total Expenditures	<u>200,707</u>	<u>55,538</u>	<u>715,330</u>	<u>105,837</u>	<u>1,077,412</u>
NET CHANGE IN FUND BALANCE	-	-	35,189	-	35,189
FUND BALANCE - BEGINNING (DEFICIT)	-	-	(77,499)	-	(77,499)
FUND BALANCE - ENDING (DEFICIT)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (42,310)</u>	<u>\$ -</u>	<u>\$ (42,310)</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION # 56

Budgetary Comparison Schedule
Professional Development Alliance Fund Account
ROE / ISC Operations

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 200,507	\$ 200,707	\$ 200,707
Total Revenues	<u>200,507</u>	<u>200,707</u>	<u>200,707</u>
Expenditures			
Salaries and benefits	129,183	128,605	123,837
Pension expense	-	-	4,768
Purchased services	71,324	72,102	72,102
Total Expenditures	<u>200,507</u>	<u>200,707</u>	<u>200,707</u>
Net Change in Fund Balance	\$ -	-	\$ -
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION # 56

Budgetary Comparison Schedule
Professional Development Alliance Fund Account
Technology for Success

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 59,830	\$ 59,830	\$ 55,538
Total Revenues	<u>59,830</u>	<u>59,830</u>	<u>55,538</u>
Expenditures			
Salaries and benefits	53,174	53,174	50,881
Pension expense	-	-	2,293
Purchased services	6,656	6,656	2,364
Total Expenditures	<u>59,830</u>	<u>59,830</u>	<u>55,538</u>
Net Change in Fund Balance	\$ -	-	\$ -
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION # 56

Budgetary Comparison Schedule
Professional Development Alliance Fund Account
Title I - School Improvement and Accountability

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 1,108,635	\$ 1,108,635	\$ 750,519
Total Revenues	<u>1,108,635</u>	<u>1,108,635</u>	<u>750,519</u>
Expenditures			
Salaries and benefits	559,724	552,629	223,613
Pension expense	-	-	1,422
Purchased services	327,377	335,098	278,850
Supplies and materials	11,784	11,754	7,266
Payments to other governments	209,750	209,154	204,179
Total Expenditures	<u>1,108,635</u>	<u>1,108,635</u>	<u>715,330</u>
Net Change in Fund Balance	\$ -	-	\$ 35,189
Fund Balance, Beginning of Year (Deficit)	<u> </u>	<u>-</u>	<u>(77,499)</u>
Fund Balance, End of Year (Deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (42,310)</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION # 56

Budgetary Comparison Schedule
Professional Development Alliance Fund Account
Grundy / Kendall County ROE / ISC Operations

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 71,378	\$ 105,837	\$ 105,837
Total Revenues	<u>71,378</u>	<u>105,837</u>	<u>105,837</u>
Expenditures			
Salaries and benefits	46,547	46,547	45,038
Pension expense	-	-	1,509
Purchased services	24,831	59,290	59,290
Total Expenditures	<u>71,378</u>	<u>105,837</u>	<u>105,837</u>
Net Change in Fund Balance	\$ -	-	\$ -
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	<u>General Education Development</u>	<u>Bus Driver Training</u>	<u>TOTALS</u>
ASSETS			
Cash and cash equivalents	\$ 128,249	\$ 84,142	\$ 212,391
Due from other governments	-	2,990	2,990
Total Assets	<u>\$ 128,249</u>	<u>\$ 87,132</u>	<u>\$ 215,381</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Restricted	<u>128,249</u>	<u>87,132</u>	<u>215,381</u>
Total Fund Balance	<u>128,249</u>	<u>87,132</u>	<u>215,381</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 128,249</u>	<u>\$ 87,132</u>	<u>\$ 215,381</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Education Development	Bus Driver Training	TOTALS
REVENUES			
Local sources	\$ 9,683	\$ 14,369	\$ 24,052
State sources	-	2,990	2,990
Total Revenues	<u>9,683</u>	<u>17,359</u>	<u>27,042</u>
EXPENDITURES			
Purchased services	2,489	4,890	7,379
Supplies and materials	438	1,563	2,001
Total Expenditures	<u>2,927</u>	<u>6,453</u>	<u>9,380</u>
NET CHANGE IN FUND BALANCE	6,756	10,906	17,662
FUND BALANCE - BEGINNING	<u>121,493</u>	<u>76,226</u>	<u>197,719</u>
FUND BALANCE - ENDING	<u>\$ 128,249</u>	<u>\$ 87,132</u>	<u>\$ 215,381</u>

FEDERAL COMPLIANCE

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2016

<u>Federal Grantor / Pass Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education				
Passed-Through Illinois State Board of Education				
Title I - Grants to Local Educational Agencies				
Title I - School Improvement and Accountability	84.010A	2016-4331-SS	204,179	<u>\$ 715,330 (M)</u>
Education for Homeless Children and Youth				
McKinney Education for Homeless Children	84.196A	2015-4920-00	-	779
McKinney Education for Homeless Children	84.196A	2016-4920-00	<u>377,692</u>	<u>566,090</u>
Total McKinney Education for Homeless Children			<u>377,692</u>	<u>566,869</u>
Improving Teacher Quality State Grants				
Title II - Teacher Quality - Leadership Grant	84.367A	2016-4935-02	-	<u>18,400</u>
Total Improving Teacher Quality State Grants			<u>-</u>	<u>18,400</u>
Total U.S. Department of Education				<u>1,300,599</u>
Total Expenditures of Federal Awards			<u>\$ 581,871</u>	<u>\$ 1,300,599</u>

(M) Program was audited as a major program.

**WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016**

NOTE 1 –BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Will County Regional Office of Education #56 under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Regional Office of Education #56, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Regional Office of Education #56.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Regional Office of Education #56 has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.