

**STATE OF ILLINOIS
KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**FINANCIAL AUDIT
For the year ended June 30, 2016**

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

TABLE OF CONTENTS

	<u>Page(s)</u>
OFFICIALS	1
FINANCIAL REPORT SUMMARY	2
FINANCIAL STATEMENT REPORT SUMMARY	3
FINANCIAL SECTION:	
Independent Auditors' Report.....	4 - 6
Report On Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i> – Independent Auditors' Report.....	7 - 8
Schedule of Findings and Responses:	
Section I – Summary of Auditors' Results.....	9
Section II – Financial Statement Findings.....	10 - 13
Corrective Action Plan for Current Year Audit Findings	14 - 16
Summary Schedule of Prior Audit Findings	17
Management’s Discussion and Analysis.....	18a – 18j
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	19 - 20
Statement of Activities.....	21
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	22 - 23
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – Governmental Funds	24
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	25 - 26

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

TABLE OF CONTENTS (Continued)

	<u>Page(s)</u>
BASIC FINANCIAL STATEMENTS: (Continued)	
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds	27
Statement of Net Position – Proprietary Funds	28
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	29
Statement of Cash Flows – Proprietary Funds.....	30 - 31
Statement of Fiduciary Net Position – Fiduciary Funds.....	32
Notes to the Financial Statements	33 - 69
REQUIRED SUPPLEMENTARY INFORMATION:	
Teachers' Retirement System of the State of Illinois – Schedules of Employer's Proportionate Share of the Net Pension Liability (Unaudited).....	70
Teachers' Retirement System of the State of Illinois – Schedule of Employer Contributions (Unaudited)	71
Illinois Municipal Retirement Fund – Schedules of Changes in Net Pension Liability and Related Ratios (Unaudited).....	72
Illinois Municipal Retirement Fund – Schedule of Employer Contributions (Unaudited)	73 - 74
Other Postemployment Benefits – Health Insurance Schedule of Funding Progress (Unaudited)	75
SUPPLEMENTARY INFORMATION:	
General Fund:	
Combining Schedules:	
Combining Schedule of Accounts – General Fund.....	76 - 77
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – General Fund Accounts.....	78 - 79

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

TABLE OF CONTENTS (Continued)

	<u>Page(s)</u>
SUPPLEMENTARY INFORMATION: (Continued)	
Education Fund:	
Combining Schedules:	
Combining Schedule of Accounts – Education Fund	80 - 82
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Education Fund Accounts	83 - 85
Individual Schedules:	
Budgetary Comparison Schedule – Education Fund Accounts Technology for Success	86
Budgetary Comparison Schedule – Education Fund Accounts Regional Safe Schools	87
Budgetary Comparison Schedule – Education Fund Accounts Truants’ Alternative and Optional Education	88
Budgetary Comparison Schedule – Education Fund Accounts Title II – Teacher Quality – Leadership (2015)	89
Budgetary Comparison Schedule – Education Fund Accounts Title II – Teacher Quality – Leadership (2016)	90
Budgetary Comparison Schedule – Education Fund Accounts ROE/ISC Operations	91
Budgetary Comparison Schedule – Education Fund Accounts Regional Safe Schools Educational Cooperative	92
Nonmajor Governmental Funds:	
Combining Statements:	
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	93
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	94

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

TABLE OF CONTENTS (Continued)

	<u>Page(s)</u>
SUPPLEMENTARY INFORMATION: (Continued)	
Nonmajor Proprietary Funds:	
Combining Statements:	
Combining Statement of Net Position – Nonmajor Proprietary Funds.....	95 - 97
Combining Statement of Revenues, Expenditures, and Changes in Fund Net Position – Nonmajor Proprietary Funds	98 - 100
Combining Statement of Cash Flows – Nonmajor Proprietary Funds.....	101 - 103
Fiduciary Funds:	
Combining Statements:	
Combining Statement of Fiduciary Net Position – Agency Funds	104 -105
Combining Statement of Changes in Assets and Liabilities – Agency Funds	106 - 107
Schedule of Disbursements to School District Treasurers and Other Entities – Distributive Fund	108

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

OFFICIALS

Regional Superintendent (Current and during the audit period)..... Ms. Patricia Dal Santo
Assistant Regional Superintendent (Current and during the audit period)..... Ms. Deanna Oliver

Office is located at:

28 N. First Street
Geneva, Illinois 60134

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

FINANCIAL REPORT SUMMARY

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	3	2
Repeated audit findings	1	1
Prior recommendations implemented or not repeated	1	-

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

SUMMARY OF FINDINGS AND RESPONSES

<u>Item No.</u>	<u>Page(s)</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
2016-001	10 - 11	Controls over Financial Statement Preparation	Material Weakness
2016-002	12	Controls over Grant Compliance	Significant Deficiency and Noncompliance
2016-003	13	Controls over Preparation of Journal Entries	Significant Deficiency
PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)			
2015-002		Controls over Procurement Cards	Significant Deficiency

EXIT CONFERENCE

The Kane County Regional Office of Education No. 31 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 the auditors and Regional Office to discuss matters contained in this audit report.

Responses to the recommendations were provided by Meg Fetzer, Director of Finance, via email on January 3, 2017.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Kane County Regional Office of Education No. 31 was performed by West & Company, LLC.

Based on their audit, the auditors expressed an unmodified opinion on the Kane County Regional Office of Education No. 31's basic financial statements.

WEST & COMPANY, LLC

MEMBERS

RICHARD C. WEST
BRIAN E. DANIELL
JANICE K. ROMACK
DIANA R. SMITH
D. RAIF PERRY
JOHN H. VOGT
JOSHUA D. LOWE
DAVID W. FALLER

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

613 BROADWAY AVENUE
P.O. BOX 945
MATTOON, ILLINOIS 61938

(217) 235-4747
www.westcpa.com

OFFICES

CHAMPAIGN
EDWARDSVILLE
EFFINGHAM
GREENVILLE
MATTOON
SULLIVAN

INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kane County Regional Office of Education No. 31, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Kane County Regional Office of Education No. 31'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 Kane County Regional Office of Education No. 31, 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, Teachers' Retirement System of the State of Illinois – Schedules of Employer's Proportionate Share of the Net Pension Liability, Teacher's Retirement System of the State of Illinois – Schedule of Employer Contributions, Illinois Municipal Retirement Fund – Schedules of Changes in Net Pension Liability and Related Ratios, Illinois Municipal Retirement Fund – Schedule of Employer Contributions, and Other Postemployment Benefits – Health Insurance Schedule of Funding Progress on pages 18a – 18j and 70 - 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 Kane County Regional Office of Education No. 31's basic financial statements. The combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and the Schedule of Disbursements to School District Treasurers and Other Entities – Distributive Fund 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 Disbursements to School District Treasurers and Other Entities – Distributive Fund 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 Disbursements to School District Treasurers and Other Entities – Distributive Fund 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 April 27, 2017 on our consideration of the Kane County Regional Office of Education No. 31'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 Kane County Regional Office of Education No. 31's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Mattoon, Illinois
April 27, 2017

WEST & COMPANY, LLC

MEMBERS

RICHARD C. WEST
BRIAN E. DANIELL
JANICE K. ROMACK
DIANA R. SMITH
D. RAIF PERRY
JOHN H. VOGT
JOSHUA D. LOWE
DAVID W. FALLER

CERTIFIED PUBLIC ACCOUNTANTS
&
CONSULTANTS

613 BROADWAY AVENUE
P.O. BOX 945
MATTOON, ILLINOIS 61938

(217) 235-4747
www.westcpa.com

OFFICES

CHAMPAIGN
EDWARDSVILLE
EFFINGHAM
GREENVILLE
MATTOON
SULLIVAN

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

INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kane County Regional Office of Education No. 31, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Kane County Regional Office of Education No. 31's basic financial statements, and have issued our report thereon dated April 27, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Kane County Regional Office of Education No. 31's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Kane County Regional Office of Education No. 31's internal control. Accordingly, we do not express an opinion on the effectiveness of the Kane County Regional Office of Education No. 31's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as finding 2016-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as findings 2016-002 and 2016-003 to be a significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kane County Regional Office of Education No. 31's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as finding 2016-002.

Regional Office of Education No. 31's Response to Findings

The Kane County Regional Office of Education No. 31's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Kane County Regional Office of Education No. 31'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 Kane County Regional Office of Education No. 31'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 Kane County Regional Office of Education No. 31's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Mattoon, Illinois
April 27, 2017

SCHEDULE OF FINDINGS AND RESPONSES

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION I – SUMMARY OF AUDITORS' RESULTS
For the year ended June 30, 2016**

Section I – Summary of Auditors' Results

Financial statements in accordance with GAAP

Type of auditors' report issued:

UNMODIFIED

Internal control over financial reporting:

- Material weakness identified?

 X yes no

- Significant deficiency(ies) identified?

 X yes none reported

Noncompliance material to financial statements noted?

 X yes no

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2016**

Section II – Financial Statement Findings

FINDING 2016-001 – Controls over Financial Statement Preparation (Repeat of findings 15-001, 14-001, 13-001, 12-1, and 11-1)

Criteria/Specific Requirement:

Kane County Regional Office of Education No. 31 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office of Education No. 31's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

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

Condition:

The Regional Office of Education No. 31 does not have sufficient internal controls over the financial reporting process. While the Regional Office of Education No. 31 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 and correct financial statement misstatements and disclosure omissions in a timely manner.

During review of the Regional Office of Education No. 31's financial information prepared by the Regional Office of Education No. 31, it was noted that the Regional Office did not have adequate controls over the maintenance of records of cash and accrued payroll. While the Regional Office did maintain records to indicate the balances of cash and accrued payroll, audit adjustments were proposed in order to ensure financial statement balances did not contain material misstatements.

Through inquiries and discussion with the Regional Office's accounting personnel and Regional Superintendent, auditors noted that the Regional Office did not have adequate controls to record and report the Regional Office's net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP.

Effect:

The Regional Office of Education No. 31's management or its employees, in the normal course of performing their assigned functions, may not prevent or detect and correct financial statement misstatements and disclosure omissions in a timely manner.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2016**

Section II – Financial Statement Findings (Continued)

Finding No. 2016-001 – Controls over Financial Statement Preparation (Repeat of findings 15-001, 14-001, 13-001, 12-1, and 11-1) (Continued)

Cause:

Management did not effectively detect all of the adjustments needed in order to present financial statements in accordance with GAAP in a timely manner.

Auditors' recommendation:

As part of internal control over the preparation of financial statements, including disclosures, the Regional Office of Education No. 31 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education No. 31's activities and operations.

Management's Response:

The ROE prepares regular and timely reports to management for discussion. Additional transactions may be discussed as the year progresses in relation to various accounting events. Initial adoption of GASB 68 was cumbersome but future calculations should be less burdensome.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2016**

Section II – Financial Statement Findings: (Continued)

FINDING 2016-002 – Controls over Grant Compliance

Criteria/Specific Requirement:

As a recipient of federal, State, and local funds from various grantor agencies, the Regional Office must incorporate certain procedures into its operations in order to comply with the grant agreements with these entities.

The Regional Office is responsible for establishing and maintaining an internal control system over the completion of timely quarterly expenditure reports required for grants administered by the Illinois State Board of Education.

Condition:

During the course of our audit, we noted that 14 of the 24 (58%) quarterly expenditure reports selected for testing were not submitted timely. The quarterly expenditure reports were submitted between one (1) and ninety-five (95) days late.

Effect:

Lack of timely reporting could result in potential noncompliance with grant requirements and/or suspension of grant funding.

Cause:

The Regional Office did not have adequate internal control procedures in place to ensure that expenditure reports were submitted timely.

Auditor's Recommendation:

The Regional Office should implement adequate internal controls to ensure that expenditure reports are filed timely in the future to comply with the grant agreements and ensure continued funding.

Management's Response:

Efforts are made to submit grant expenditure reports on time.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the year ended June 30, 2016**

Section II – Financial Statement Findings: (Continued)

FINDING 2016-003 – Controls over Preparation of Journal Entries

Criteria/Specific Requirement:

The Regional Office of Education No. 31 is responsible for establishing and maintaining an internal control system over journal entries to prevent errors or fraud. In addition, adequate controls over compliance with laws, regulations, and grant agreements require supervisory review of expenditures charged to grant programs.

Condition:

During our review of journal entries, we noted that 16 out of 16 entries selected for testing had no documentation to indicate that the entry had been reviewed by the Regional Superintendent or Assistant Regional Superintendent.

Effect:

Erroneous or fraudulent journal entries could be made that may not be detected or corrected by Regional Office employees in the normal course of their assigned duties.

Cause:

According to Regional Office management, they were aware that journal entries were being made in the accounting software. While management was informed verbally of adjustments, there was not proper documentation of the approval.

Auditor's Recommendation:

The Regional Superintendent or Assistant Regional Superintendent should formally review and approve all journal entries along with supporting documentation prior to the entries being posted to the accounting records.

Management's Response:

Management is confident in the ethics and abilities of the finance staff but acknowledges that a review of entries is never a bad idea.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR
AUDIT FINDINGS
For the year ended June 30, 2016**

Section II – Financial Statement Findings: (Continued)

Corrective Action Plan

FINDING 2016-001 – Controls over Financial Statement Preparation (Repeat of findings 15-001, 14-001, 13-001, 12-1, and 11-1)

Condition:

The Regional Office of Education No. 31 does not have sufficient internal controls over the financial reporting process. While the Regional Office of Education No. 31 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 and correct financial statement misstatements and disclosure omissions in a timely manner.

During review of the Regional Office of Education No. 31's financial information prepared by the Regional Office of Education No. 31, it was noted that the Regional Office did not have adequate controls over the maintenance of records of cash and accrued payroll. While the Regional Office did maintain records to indicate the balances of cash and accrued payroll, audit adjustments were proposed in order to ensure financial statement balances did not contain material misstatements.

Through inquiries and discussion with the Regional Office's accounting personnel and Regional Superintendent, auditors noted that the Regional Office did not have adequate controls to record and report the Regional Office's net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP.

Plan:

The Business Office will prepare a checklist to use when reviewing month and year end balances. Prior to auditors arriving, year-end adjustments will be made to present the financial statements in accordance with generally accepted accounting principles.

Anticipated Date of Completion:

On-going throughout the year.

Name of Contact Person:

Meg Fetzer, Director of Finance.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR
AUDIT FINDINGS
For the year ended June 30, 2016**

Section II – Financial Statement Findings: (Continued)

Corrective Action Plan (Continued)

FINDING 2016-002 – Controls over Grant Compliance

Condition:

During the course of our audit, we noted that 14 of the 24 (58%) quarterly expenditure reports selected for testing were not submitted timely. The quarterly expenditure reports were submitted between one (1) and ninety-five (95) days late.

Plan:

More lead time will be built in to submitting the expenditure reports so that proper and timely review can be made with ample time to submit approval of submitted expenditure reports.

Anticipated Date of Completion:

On-going throughout the year.

Name of Contact Person:

Meg Fetzer, Director of Finance.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR
AUDIT FINDINGS
For the year ended June 30, 2016**

Section II – Financial Statement Findings: (Continued)

Corrective Action Plan (Continued)

FINDING 2016-003 – Controls over Preparation of Journal Entries

Condition:

During our review of journal entries, we noted that 16 out of 16 entries selected for testing had no documentation to indicate that the entry had been reviewed by the Regional Superintendent or Assistant Regional Superintendent.

Plan:

Either the Regional Superintendent or the Assistant Regional Superintendent will review journal entries throughout the year.

Anticipated Date of Completion:

On-going throughout the year.

Name of Contact Person:

Meg Fetzer, Director of Finance.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2016**

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
2015-001	Controls over Financial Statement Preparation	Repeated
2015-002	Controls over Procurement Cards	Not repeated

MANAGEMENT'S DISCUSSION AND ANALYSIS

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**Management's Discussion and Analysis
June 30, 2016**

This discussion and analysis of the Kane County Regional Office of Education's financial report provides an overview of the financial activities for the year ended June 30, 2016 with comparative information for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the Regional Office of Education's performance as a whole. Readers should review the financial statements and any notes to the basic financial statements to assist them in understanding the role of the Regional Office of Education, its operations and financial condition.

The purpose of the Kane County Regional Office of Education No. 31 is to promote quality education for the citizens of the Kane County Educational Service Region by acting as an advocate for education, providing leadership, performing regulatory functions as directed by the Illinois State Board of Education and the Illinois School Code, providing access to needed resources and disseminating information to school districts, educators, and the community.

Mission

The mission of the Kane County Regional Office of Education is to advocate for education, provide leadership, perform regulatory functions, and coordinate state and local services for educators, school districts and the community.

Education Service Region

The Kane County Regional Office of Education serves over 120,000 students. Our region includes nine (K-12) unit districts, two community college districts, 222 public school buildings, and over 9,000 public/private school teachers.

2016 Financial Highlights

- General Fund revenues increased from \$2,192,619 in fiscal year 2015 to \$3,205,302 in fiscal year 2016. General Fund expenditures also increased from \$1,891,611 in fiscal year 2015 to \$2,398,098 in fiscal year 2016. These increases were primarily due to the implementation of a new ALOP.
- Education Fund revenues decreased from \$1,274,705 in fiscal year 2015 to \$895,792 in fiscal year 2016. Expenditures increased from \$1,341,271 in fiscal year 2015 to \$1,453,201 in fiscal year 2016. The revenue decrease was related to a delay in grant funding for reporting purposes. Increases in expenditures were due to addition of a new grant.
- Institute Fund revenues increased from \$209,985 in fiscal year 2015 to \$236,978 in fiscal year 2016. Expenditures in the Institute Fund decreased from \$134,898 in fiscal year 2015 to \$116,796 in fiscal year 2016. The increases were primarily due to the cyclical nature of license renewal and change in certification requirements for professional teachers, administrators and paraprofessionals in Kane County.
- Enterprise Fund revenues decreased from \$409,405 in fiscal year 2015 to \$370,261 in fiscal year 2016. Enterprise Fund expenses decreased from \$699,003 in fiscal year 2015 to \$547,132 in fiscal year 2016. The decrease in expenses was primarily due to fewer expenses towards the development of a statewide health and life safety application compared to the previous year.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**Management's Discussion and Analysis
June 30, 2016**

- Government-wide revenues increased from \$4,347,383 in fiscal year 2015 to \$4,911,942 in fiscal year 2016. Government-wide expenses increased from \$4,161,064 in fiscal year 2015 to \$4,497,029 in fiscal year 2016. These changes are most notably related to increased on-behalf payments from Kane County and the recognition of pension expense.

Using This Annual Report

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Regional Office's financial activities.

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Regional Office as a whole and present an overall view of the Regional Office's finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Regional Office's operations in more detail than the government-wide statements by providing information that is needed for a full understanding of the data provided in the basic financial statements.

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 with information about the Regional Office of Education No. 31's pension liability, proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the major and nonmajor funds.

Reporting Kane County Regional Office of Education No. 31's Financial Activities

Government-wide Financial Statements

The government-wide financial statements report information about Kane County Regional Office of Education No. 31 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of Kane County Regional Office of Education No. 31's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's 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.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**Management's Discussion and Analysis
June 30, 2016**

The two government-wide financial statements report the Regional Office's net position and how it has changed. Net position - the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the Regional Office's financial health or financial position. Over time, increases or decreases in net position can be an indicator of whether financial position is improving or deteriorating. To assess the Regional Office's overall condition, 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 more detailed information about Kane County Regional Office of Education No. 31'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. Kane County Regional Office of Education No. 31 established other funds to control and manage money for particular purposes.

Kane County Regional Office of Education No. 31 has three kinds of funds:

- 1) *Governmental funds*: Account for those funds through which most governmental functions of the Regional 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 Regional Office's programs. The governmental funds required financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance.
- 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 proprietary funds required financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows.
- 3) *Fiduciary funds*: Account for assets held by the Regional Office in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds required financial statements include a Statement of Fiduciary Net Position.

Government-wide Financial Analysis

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the Regional Office, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7,832,096 as of June 30, 2016.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**Management's Discussion and Analysis
June 30, 2016**

The following table presents a summary of Kane County Regional Office of Education No. 31's net position for the fiscal years ended June 30, 2016:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets	\$ 8,078,476	\$ 364,114	\$ 8,442,590
Capital assets, net	144,019	6,663	150,682
Total assets	<u>8,222,495</u>	<u>370,777</u>	<u>8,593,272</u>
Deferred outflows of resources	410,301	19,276	429,577
Current liabilities	362,499	54,174	416,673
Noncurrent liabilities	747,622	21,131	768,753
Total liabilities	<u>1,110,121</u>	<u>75,305</u>	<u>1,185,426</u>
Deferred inflows of resources	5,219	108	5,327
Net position:			
Net investment in capital assets	89,840	6,663	96,503
Restricted - other	1,521,573	-	1,521,573
Unrestricted	5,906,043	307,977	6,214,020
Total net position	<u>\$ 7,517,456</u>	<u>\$ 314,640</u>	<u>\$ 7,832,096</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**Management's Discussion and Analysis
June 30, 2016**

The following table presents a summary of Kane County Regional Office of Education No. 31's net position for the fiscal years ended June 30, 2015, as restated:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets	\$ 7,940,100	\$ 396,965	\$ 8,337,065
Capital assets, net	2,047	32,758	34,805
Total assets	7,942,147	429,723	8,371,870
Deferred outflows of resources	175,534	11,412	186,946
Current liabilities	181,086	552,542	733,628
Noncurrent liabilities	388,876	11,649	400,525
Total liabilities	569,962	564,191	1,134,153
Deferred inflows of resources	7,259	221	7,480
Net position:			
Net investment in capital assets	1,691	13,174	14,865
Restricted - other	6,142,204	(136,451)	6,005,753
Unrestricted	1,396,565	-	1,396,565
Total net position	\$ 7,540,460	\$ (123,277)	\$ 7,417,183

The Regional Office's net position increased by \$414,913 (5.6%) from fiscal year 2015 (as restated). The increase was primarily due to continued conservative usage of resources and seeking out new revenue opportunities. Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. Unrestricted net position was \$6,214,020 for the year ended June 30, 2016. The net position related to the Institute Fund, Education Fund and Nonmajor Special Revenue Funds are restricted for educational purposes.

The beginning net position as of July 1, 2015 for governmental and business-type activities was restated by \$42,278 and \$2,756, respectively. The Regional Office of Education No. 31's employees are covered under Kane County's Illinois Municipal Retirement Fund plan. These balances were restated to retroactively report the Regional Office's proportionate share of the net pension liability arising from participation in this plan.

The beginning net position as of July 1, 2015 for governmental activities was also restated by \$(204,533). The Regional Office of Education No. 31's employees are covered under Kane County's other postemployment benefit plan. This balances was restated to retroactively report the Regional Office's proportionate share of the other postemployment benefit liability arising from participation in this plan.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**Management's Discussion and Analysis
June 30, 2016**

Changes in Net Position

The following shows the change in net position for the year ended June 30, 2016:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ -	\$ 370,261	\$ 370,261
Operating grants and contributions	3,409,899	-	3,409,899
General revenues:			
Local sources	329,906	-	329,906
Interest	19,527	242	19,769
On-behalf payments	782,107	-	782,107
Total revenues	<u>4,541,439</u>	<u>370,503</u>	<u>4,911,942</u>
Expenses:			
Instructional services:			
Salaries and benefits	1,310,881	51,700	1,362,581
Purchased services	502,483	435,627	938,110
Supplies and materials	65,319	23,243	88,562
Capital outlay	24,881	14,733	39,614
Payments to other governments	1,065,472	-	1,065,472
Other objects	38	-	38
Depreciation	20,648	12,672	33,320
Pension expense	178,068	9,157	187,225
Administrative:			
On-behalf payments	782,107	-	782,107
Total expenses	<u>3,949,897</u>	<u>547,132</u>	<u>4,497,029</u>
Excess (deficiency) of revenue over (under) expenditures	591,542	(176,629)	414,913
Transfers	<u>(614,546)</u>	<u>614,546</u>	<u>-</u>
Change in net position	(23,004)	437,917	414,913
Net position, beginning, restated	<u>7,540,460</u>	<u>(123,277)</u>	<u>7,417,183</u>
Net position, ending	<u>\$ 7,517,456</u>	<u>\$ 314,640</u>	<u>\$ 7,832,096</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**Management's Discussion and Analysis
June 30, 2016**

The following shows the change in net position for the year ended June 30, 2015:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 228,991	\$ 409,052	\$ 638,043
Operating grants and contributions	1,277,305	-	1,277,305
General revenues:			
Local sources	67,016	353	67,369
State sources	1,771,636	-	1,771,636
On-behalf payments	593,030	-	593,030
	<u>3,937,978</u>	<u>409,405</u>	<u>4,347,383</u>
Expenses:			
Instructional services:			
Salaries and benefits	1,349,677	71,592	1,421,269
Purchased services	436,611	540,298	976,909
Supplies and materials	27,629	38,984	66,613
Capital outlay	28,375	22,207	50,582
Payments to other governments	1,014,303	-	1,014,303
Depreciation	5,854	25,922	31,776
Loss on disposition of assets	2,040	4,717	6,757
Administrative:			
On-behalf payments	593,030	-	593,030
	<u>3,457,519</u>	<u>703,720</u>	<u>4,161,239</u>
Change in net position	480,459	(294,315)	186,144
Net position, beginning	<u>7,222,256</u>	<u>168,282</u>	<u>7,390,538</u>
Net position, ending	<u>\$ 7,702,715</u>	<u>\$ (126,033)</u>	<u>\$ 7,576,682</u>

Governmental Activities

Revenues for governmental activities were \$4,541,439 and \$3,937,978 and expenses were \$3,949,897 and \$3,456,567 for 2016 and 2015, respectively. The increase in revenues was mainly due to the addition of an ALOP. The increase in expenses was also due to the addition of an ALOP as it is a pass-through program to the district.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**Management's Discussion and Analysis
June 30, 2016**

Business-Type Activities

Revenues for business-type activities were \$370,503 and \$409,405 and expenses were \$547,132 and \$703,720 for 2016 and 2015, respectively. The decrease in expenses was primarily due to the completion of a Health Life Safety application to be used by ROE's statewide.

Individual Fund Analysis

As previously noted, Kane County Regional Office of Education No. 31 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Kane County Regional Office of Education No. 31's governmental funds reported combined fund balances of \$7,165,890, below last year's ending fund balances of \$7,346,002.

Governmental Fund Highlights

The General Fund fund balance increased from \$5,958,326 in 2015 to \$6,204,807 in 2016. The increase in fund balance was mostly attributable to the addition of a district ALOP managed by the Regional Office of Education #31 generating excess funds.

The Institute Fund fund balance increased from \$967,863 in 2015 to \$1,088,045 in 2016. The increase in fund balance was mostly attributable to being more efficient and conservative with program funds.

The Education Fund fund balance decreased from \$300,576 in 2015 to \$(256,833) in 2016. The decrease in fund balance was mostly attributable to timing of grant funding by the state. The Education Fund is primarily made up of grants the Regional Office receives and this can vary greatly from year to year as some programs are discontinued while others see funding increases and decreases.

Proprietary Fund Highlights

Business-Type Funds net position increased from \$(126,033) in 2015 to \$314,640 in 2016. The primary reason for the increase is attributable to the completion of a Health Life Safety application used by ROEs statewide.

Fiduciary Fund Highlights

Total assets and liabilities increased from \$10,851 in fiscal year 2015 to \$133,358 in fiscal year 2016. Transactions during fiscal year 2016 represent mainly transfers in and out of funds for the distributive and payroll funds. The increase is attributable to the timing of additions and deductions.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**Management's Discussion and Analysis
June 30, 2016**

Budgetary Highlights

The Kane County Regional Office of Education No. 31 annually prepares budgets for several funds which serve as a guideline for activities and expenditures. 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 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency. Additionally, the Regional Office funds are reported and included in our annual report. In addition, the Institute Fund is printed in a newspaper of general circulation in Kane County.

Capital Assets and Long-Term Debt

The Regional Office's capital assets include office equipment, computers, audio-visual equipment, and office furniture. The Regional Office maintains an inventory of capital assets which have been accumulated over time. For fiscal year 2016, total additions and retirements amounted to \$162,620 and \$78,823, respectively. Depreciation expense for fiscal year 2016 was \$33,320. Additional information on Kane County Regional Office of Education No. 31's capital assets can be found in Note 8 on page 46 of this report.

The Regional Office has entered into lease agreements as lessee for financing the acquisition of copiers. The present value of minimum lease payments at June 30, 2015 was \$19,940, which was increased during fiscal year 2016 by \$34,239, resulting in a balance of \$54,179 at June 30, 2016. Additional information on Kane County Regional Office of Education No. 31's capital leases can be found in Note 9 on page 47 of this report.

Economic Factors Bearing on Kane County Regional Office of Education NO. 31's Future

County Board support is expected to remain at the current level for fiscal year 2017 and may decline in future years.

While the Regional Office is in search of additional revenue sources, it is also committed to providing as much support as it can to the districts it serves to take them to the next step in educational excellence.

The Youth Home licensing costs will continue to increase due to implementation of online curriculum evaluation and learning tools. A summer curriculum at the Youth Home was successful and will continue to be a part of Regional Office expenses as it grows.

Software support costs will be ongoing for the HLS inspection program rolled out in fiscal year 2015 with expected upgrades and adjustments implemented in 2017 and beyond. The Regional Office may also roll out a similar program for the compliance reviews that are required by state mandate.

The state budget impasse makes predictions for future revenue and expenditures difficult for all state funded organizations.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**Management's Discussion and Analysis
June 30, 2016**

Contacting Kane County Regional Office of Education No. 31's Financial Management

This financial report is designed to provide Kane County Regional Office of Education No. 31's citizens, taxpayers, customers, and creditors with a general overview of Kane County Regional Office of Education No. 31's finances and to demonstrate Kane County Regional Office of Education No. 31's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kane County Regional Office of Education No. 31 at 28 N 1st Street, Geneva, IL 60134. For a more detailed analysis and explanation of operations and programs, the complete fiscal year 2015 Annual Report is posted on the Kane County Regional Office of Education No. 31's website at <http://www.kaneroe.org>.

BASIC FINANCIAL STATEMENTS

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**STATEMENT OF NET POSITION
June 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 6,470,420	\$ 383,872	\$ 6,854,292
Due from other governments	674,880	-	674,880
Accounts receivable	4,846	21,751	26,597
Prepaid expenses	-	9,500	9,500
Investments	877,321	-	877,321
Internal balances	51,009	(51,009)	-
Total current assets	8,078,476	364,114	8,442,590
Noncurrent assets:			
Capital assets, net	144,019	6,663	150,682
Total assets	8,222,495	370,777	8,593,272
Deferred outflow of resources:			
Pension	410,301	19,276	429,577
Liabilities:			
Current liabilities:			
Accounts payable	3,626	-	3,626
Accrued expenses	13,359	7,609	20,968
Payroll liabilities	85,475	1,059	86,534
Due to other governments	249,636	45,506	295,142
Current portion of capital lease liability	10,403	-	10,403
Total current liabilities	362,499	54,174	416,673
Noncurrent liabilities:			
Net pension liability	456,793	21,131	477,924
Other postemployment benefit obligation	200,055	-	200,055
Compensated absences	46,998	-	46,998
Capital lease liability	43,776	-	43,776
Total noncurrent liabilities	747,622	21,131	768,753
Total liabilities	1,110,121	75,305	1,185,426

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**STATEMENT OF NET POSITION
June 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Deferred inflow of resources:			
Pension	5,219	108	5,327
Net position:			
Net investment in capital assets	89,840	6,663	96,503
Restricted - other	1,521,573	-	1,521,573
Unrestricted	5,906,043	307,977	6,214,020
Total net position	\$ 7,517,456	\$ 314,640	\$ 7,832,096

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**STATEMENT OF ACTIVITIES
For the year ended June 30, 2016**

Functions/Programs:	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instructional services:						
Salaries and benefits	\$ 1,310,881	\$ -	\$ 1,393,102	\$ 82,221	\$ -	\$ 82,221
Purchased services	502,483	-	531,915	29,432	-	29,432
Supplies and materials	65,319	-	69,145	3,826	-	3,826
Capital outlay	24,881	-	187,501	162,620	-	162,620
Payments to other governments	1,065,472	-	1,127,879	62,407	-	62,407
Other objects	38	-	40	2	-	2
Depreciation	20,648	-	-	(20,648)	-	(20,648)
Pension expense (benefit)	178,068	-	100,317	(77,751)	-	(77,751)
Administrative:						
On-behalf payments	782,107	-	-	(782,107)	-	(782,107)
Total governmental activities	3,949,897	-	3,409,899	(539,998)	-	(539,998)
Business-type activities:						
Operating	547,132	370,261	-	-	(176,871)	(176,871)
Total business-type activities	547,132	370,261	-	-	(176,871)	(176,871)
Total primary government	\$ 4,497,029	\$ 370,261	\$ 3,409,899	(539,998)	(176,871)	(716,869)
General revenues (expenses):						
Local sources				329,906	-	329,906
On-behalf payments				782,107	-	782,107
Interest				19,527	242	19,769
Transfers				(614,546)	614,546	-
Total general revenues and transfers				516,994	614,788	1,131,782
Change in net position				(23,004)	437,917	414,913
Net position - beginning of year, restated (See note 20)				7,540,460	(123,277)	7,417,183
Net position - ending				\$ 7,517,456	\$ 314,640	\$ 7,832,096

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	General Fund	Education Fund	Institute Fund
Assets:			
Cash and cash equivalents	\$ 4,958,715	\$ 300,185	\$ 1,085,467
Due from other funds	368,450	-	-
Due from other governments	30,628	642,004	-
Accounts receivable	-	-	3,196
Investments	877,321	-	-
Total assets	\$ 6,235,114	\$ 942,189	\$ 1,088,663
Liabilities, deferred inflows of resources, and fund balances (deficits):			
Liabilities:			
Accounts payable	\$ -	\$ 3,626	\$ -
Due to other funds	-	317,441	-
Accrued expenses	2,639	10,640	-
Payroll liabilities	27,668	57,189	618
Due to other governments	-	249,636	-
Total liabilities	30,307	638,532	618
Deferred inflows of resources:			
Unavailable revenue	-	560,490	-
Fund balances (deficits):			
Restricted	-	314,014	1,088,045
Assigned	1,544,866	-	-
Unassigned	4,659,941	(570,847)	-
Total fund balances (deficits)	6,204,807	(256,833)	1,088,045
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 6,235,114	\$ 942,189	\$ 1,088,663

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	<u>Nonmajor Special Revenue Funds</u>	<u>Eliminations</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 126,053	\$ -	\$ 6,470,420
Due from other funds	-	(317,441)	51,009
Due from other governments	2,248	-	674,880
Accounts receivable	1,650	-	4,846
Investments	-	-	877,321
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 129,951</u>	<u>\$ (317,441)</u>	<u>\$ 8,078,476</u>
Liabilities, deferred inflows of resources, and fund balances (deficits):			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 3,626
Due to other funds	-	(317,441)	-
Accrued expenses	80	-	13,359
Payroll liabilities	-	-	85,475
Due to other governments	-	-	249,636
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>80</u>	<u>(317,441)</u>	<u>352,096</u>
Deferred inflows of resources:			
Unavailable revenue	-	-	560,490
	<u> </u>	<u> </u>	<u> </u>
Fund balances (deficits):			
Restricted	129,871	-	1,531,930
Assigned	-	-	1,544,866
Unassigned	-	-	4,089,094
	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficits)	<u>129,871</u>	<u>-</u>	<u>7,165,890</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)			
	<u>\$ 129,951</u>	<u>\$ (317,441)</u>	<u>\$ 8,078,476</u>

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2016**

Total fund balance – governmental funds		\$ 7,165,890
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Some revenues will not be collected for several months after the Regional Office fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.</p>		
	560,490	
<p>Pension-related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds as follows:</p>		
Deferred outflows of resources	\$ 410,301	
Deferred inflows of resources	<u>(5,219)</u>	405,082
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Net pension liability	\$ (456,793)	
Other postemployment benefit obligation	(200,055)	
Compensated absences	(46,998)	
Capital lease liability	<u>(54,179)</u>	(758,025)
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
		<u>144,019</u>
Net position of governmental activities		<u><u>\$ 7,517,456</u></u>

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2016**

	General Fund	Education Fund	Institute Fund
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Local sources	\$ 36,055	\$ 37,996	\$ 235,887
State sources	2,402,807	709,552	-
Federal sources	-	148,170	-
Interest	18,173	74	1,091
On-behalf payments	748,267	-	-
Total revenues	<u>3,205,302</u>	<u>895,792</u>	<u>236,978</u>
Expenditures:			
Instructional services:			
Salaries and benefits	720,713	579,739	15,568
Purchased services	176,607	220,160	94,210
Supplies and materials	31,864	27,326	5,864
Payments to other governments	490,042	575,430	-
Other objects	-	-	38
Pension expense	55,446	38,204	1,116
On-behalf payments	748,267	-	-
Capital outlay	175,159	12,342	-
Total expenditures	<u>2,398,098</u>	<u>1,453,201</u>	<u>116,796</u>
Excess (deficiency) of revenues over (under) expenditures	<u>807,204</u>	<u>(557,409)</u>	<u>120,182</u>
Other financing sources (uses):			
Transfers out	(614,546)	-	-
Proceeds from capital lease	61,818	-	-
Repayment of long term capital lease	(7,995)	-	-
Total other financing sources (uses)	<u>(560,723)</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	246,481	(557,409)	120,182
Fund balances, beginning of year	<u>5,958,326</u>	<u>300,576</u>	<u>967,863</u>
Fund balances (deficits), end of year	<u>\$ 6,204,807</u>	<u>\$ (256,833)</u>	<u>\$ 1,088,045</u>

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2016**

	<u>Nonmajor Special Revenue Funds</u>	<u>Total Governmental Funds</u>
Revenues:		
Local sources	\$ 19,968	\$ 329,906
State sources	2,248	3,114,607
Federal sources	-	148,170
Interest	189	19,527
On-behalf payments	-	748,267
	<u>22,405</u>	<u>4,360,477</u>
Expenditures:		
Instructional services:		
Salaries and benefits	-	1,316,020
Purchased services	11,506	502,483
Supplies and materials	265	65,319
Payments to other governments	-	1,065,472
Other objects	-	38
Pension expense	-	94,766
On-behalf payments	-	748,267
Capital outlay	-	187,501
	<u>11,771</u>	<u>3,979,866</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,634</u>	<u>380,611</u>
Other financing sources (uses):		
Transfers out	-	(614,546)
Proceeds from capital lease	-	61,818
Repayment of long term capital lease	-	(7,995)
	<u>-</u>	<u>(560,723)</u>
Net changes in fund balances	10,634	(180,112)
Fund balances, beginning of year	<u>119,237</u>	<u>7,346,002</u>
Fund balances (deficits), end of year	<u>\$ 129,871</u>	<u>\$ 7,165,890</u>

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**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 changes in fund balances – governmental funds		\$ (180,112)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Pension contributions	\$ 94,766	
Pension benefit	<u>(178,068)</u>	(83,302)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	\$ 162,620	
Depreciation expense	<u>(20,648)</u>	141,972
<p>The issuance of long-term debt (capital leases) provides current financial resources to the governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Lease proceeds	\$ (61,818)	
Depreciation expense	<u>7,995</u>	(53,823)
<p>Some revenues were not collected for several months after the Regional Office's fiscal year ended, they were not considered "available" revenues and were deferred in the governmental funds, however, were recognized in the current year in the Statement of Activities.</p>		
Current year unavailable revenue	\$ 560,490	
Prior year unavailable revenue	<u>(413,368)</u>	147,122
<p>Some expenses in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.</p>		
Decrease in compensated absences		661
Decrease in other postemployment benefit obligation		<u>4,478</u>
Change in net position of governmental activities		<u><u>\$ (23,004)</u></u>

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016**

	Business-Type Activities
	Nonmajor Funds
Assets:	
Cash and cash equivalents	\$ 383,872
Accounts receivable	21,751
Prepaid expenses	9,500
Total current assets	415,123
Noncurrent assets:	
Capital assets, net	6,663
Total assets	421,786
Deferred outflow of resources:	
Pension	19,276
Liabilities:	
Current liabilities:	
Accrued expenses	7,609
Payroll liabilities	1,059
Due to other governments	45,506
Due to other funds	51,009
Total current liabilities	105,183
Noncurrent liabilities:	
Net pension liability	21,131
Total liabilities	126,314
Deferred inflow of resources:	
Pension	108
Net position:	
Net investment in capital assets	6,663
Unrestricted	307,977
Total net position	\$ 314,640

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended June 30, 2016**

	Business-Type Activities
	Nonmajor Funds
Operating revenues:	
Charges for services	\$ 370,261
Total operating revenues	370,261
Operating expenses:	
Salaries and benefits	51,700
Purchased services	435,627
Supplies and materials	23,243
Depreciation	12,672
Pension expense	9,157
Capital outlay	14,733
Total operating expenses	547,132
Operating income (loss)	(176,871)
Nonoperating revenues:	
Investment income	242
Total nonoperating revenues	242
Income (loss) before transfers	(176,629)
Transfers in	614,546
Change in net position	437,917
Net position, beginning of year, restated (See note 20)	(123,277)
Net position, end of year	\$ 314,640

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended June 30, 2016**

	Business-Type Activities
	Nonmajor Funds
Cash flows from operating activities:	
Receipts from customers	\$ 375,624
Payments to suppliers and providers of goods and services	(488,767)
Payments to employees	(54,717)
Net cash used for operating activities	(167,860)
Cash flows from investing activities:	
Interest received	242
Cash flows from capital and related financing activities:	
Payment of capital lease liability	(6,161)
Cash flows from noncapital financing activities:	
Outflows due to interfund borrowings, net	(426,746)
Transfers from other funds	614,546
Net cash provided by noncapital financing activities	187,800
Net increase in cash and cash equivalents	14,021
Cash and cash equivalents - beginning	369,851
Cash and cash equivalents- ending	\$ 383,872

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended June 30, 2016**

	Business-Type Activities
	Nonmajor Funds
Reconciliation of operating loss	
to net cash used for	
operating activities:	
Operating loss	\$ (176,871)
Adjustments to reconcile operating	
loss to net cash used for	
operating activities:	
Change in assets and liabilities:	
Depreciation expense	12,672
Pension expense	9,157
Cash contributions for pension liability	(4,438)
Decrease (increase) in:	
Accounts receivable	5,363
Prepaid expenses	(9,500)
Increase (decrease) in:	
Accrued expenses	2,800
Payroll liabilities	(3,017)
Due to other governments	(4,026)
	(4,026)
Net cash used for	
operating activities	\$ (167,860)

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016**

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 10,726
Due from other governments	<u>122,632</u>
Total assets	<u><u>\$ 133,358</u></u>
Liabilities:	
Due to other governments	<u>\$ 133,358</u>
Total liabilities	<u><u>\$ 133,358</u></u>

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

NOTES TO FINANCIAL STATEMENTS

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Regional Office of Education No. 31's accounting policies conform to generally accepted accounting principles which are appropriate to local governmental units of this type.

A. Reporting Entity

The Regional Office of Education No. 31 was created by Illinois Public Act 76-735, as amended, effective August 8, 1995. The region encompasses Kane County.

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

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

The Regional Office of Education No. 31 derives its oversight power and authority over the school districts from the School Code and is responsible for its own fiscal and budgetary matters.

The Regional Office of Education No. 31 exercises no oversight responsibility on financial interdependency, selection of governing authority, designation of management, or the ability to significantly influence the operations of any other outside agencies. Control or dependency is determined on the basis of budget adoption, taxing authority, funding, and apportionment of the respective governing order. Therefore, no other agency has been included as a component unit of the Regional Office of Education No. 31's financial statements. In addition, the Regional Office of Education No. 31 is not aware of any entity that would exercise oversight as to result in the Regional Office of Education No. 31 being considered a component unit of the entity.

B. Government-wide and Fund Financial Statements

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Statement of Net Position includes all of the Regional Office of Education No. 31's assets, including capital assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

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

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

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

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

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Regional Office of Education No. 31 considers revenues to be available if they are collectible within 60 days after year-end. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable, with the exception of expenditures for prepaid expenses and other long-term obligations, which are recognized as liabilities when due, as well as expenditures related to compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Regional Office of Education No. 31's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

It is the Regional Office of Education No. 31's policy to first apply restricted resources when an expenditure or expense is incurred for which both restricted and unrestricted resources are available. For unrestricted fund balances, committed fund balances are used first, then assigned fund balances, then unassigned, if any.

1. Governmental Funds

The Regional Office of Education No. 31 reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Regional Office of Education No. 31 and is used to account for all financial resources except those required to be accounted for and reported in another fund. This fund is available to pay general and administrative expenditures of the Regional Office of Education No. 31. Included in this fund are:

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Governmental Funds (Continued)

General Fund (Continued)

Regional Program Development – Accounts for monies received for, and payment of expenditures to provide for the general improvement and expansion of education within Kane County Regional Office of Education No. 31 including the educational program for the students at the Kane County Juvenile Justice Center (Youth Home Education).

General State Aid – Accounts for the grant monies received for, and payment of expenditures for Regional Learning Academy supplements.

Youth Home Education – Account for the grant monies received for, and payment of expenditures to provide an educational program for the students at the Kane County Juvenile Justice Center.

Local Truancy – Accounts for revenues from local sources to address the truancy problem in Kane County.

Operation Snowball – Accounts for the revenues and expenditures associated with programs for the prevention of alcohol and drug abuse of teens in our local high schools and to support them making smart choices in life.

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 specific purposes other than debt service or capital projects. Included among these funds are:

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

Technology for Success – Accounts for grant monies received for, and payment of expenditures to support learning technology services to the local school districts.

Federal Special Education – IDEA Flow-Through – Accounts for grant monies received for, and payment of expenditures to enhance the capacity of schools to safely and effectively educate all students by applying research-based behavior support systems that maximize academic achievement of student and teacher outcomes.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Governmental Funds (Continued)

Special Revenue Funds (Continued)

Education Fund (Continued)

Regional Safe Schools – Accounts for the grant monies received for, and payment of expenditures of the alternative school program for at-risk youth, creating alternative placement for those students.

Truants' Alternative and Optional Education Program (TAOEP) – Accounts for grant monies received for, and payment of expenditures of the Truants' Alternative Program.

Title II – Teacher Quality - Leadership – Accounts for grant monies received for, and payment of expenditures incurred in providing professional development training to teachers for improvement of instruction in the classroom.

Title I – School Improvement & Accountability – Accounts for the grant monies received for, and payment of expenditures of the Title I – Accountability grant. 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 public school, including a public charter within the district.

McKinney Education for Homeless Children – Accounts for grant monies received for, and payment of expenditures 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 Will County Regional Office of Education No. 56.

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

Building State Capacity – Accounts for funds received for providing services to school districts to build programs for students and staff.

Title I Delinquent – Accounts for the revenues and expenditures associated with ongoing professional development for administrators and teachers for the improvement of students' reading.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Governmental Funds (Continued)

Special Revenue Funds (Continued)

Education Fund (Continued)

Regional Safe School (RSS) Cooperative Education - In cooperation with Gifford Street High School, Kane County ROE will provide a program fostering enhanced experiences of employment related to their current CTE courses. A focus of the program will be on assisting students to locate career opportunities where advancement is possible.

Institute Fund – To account for the stewardship of the assets held for the benefit of the teachers. Fees are collected from registration of teachers' licenses. Monies are expended to conduct teachers' institutes, conferences, and workshops. All funds generated remain restricted until expended only on the aforementioned activities.

Nonmajor Special Revenue Funds – The Kane County Regional Office of Education No. 31 reported the following special revenue funds as nonmajor governmental funds:

General Educational Development (GED) – Accounts for the revenues and expenditures associated with the processing of applications for the high school level test of General Education Development and the issuance of diplomas upon the successful completion of the examination.

Bus Driver Training – Accounts for the revenues received from individuals and contractors to sponsor instructional training courses for school bus drivers.

2. Proprietary Funds

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

The Regional Office of Education No. 31 reports the following nonmajor proprietary funds:

Education Service Center (ESC) Professional Development – Accounts for local monies received for, and payment of expenditures from workshops conducted by Kane County Regional Office of Education No. 31.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Proprietary Funds (Continued)

Technology – A collaboration between the Northeastern Illinois Regional Offices of Education to provide computer workshops for the teachers of Northern Illinois. This fund is locally funded by Area 1, which is comprised of Northeastern Illinois Regional Offices of Education.

Kane County Library Resources Consortium – Accounts for monies received for, and payment of expenditures for the Kane County Public Schools Library Resources program.

Visual Media Cooperative – Accounts for funds received and disbursed by the Regional Superintendent as administrative agent for the Kane County Visual Media Cooperative. The Visual Media Cooperative is a cooperative of school districts, which maintains a library of educational films. New and replacement films and videos are financed from rental charges to users.

Local Administrators Academy – Accounts for local revenues and disbursements related to the Academy Program.

Criminal Background Investigation – Accounts for the fees 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.

Kane County Human Resources Consortium – Accounts for monies received for, and payment of expenditures for the Kane County Human Resources Consortium program.

Discovery Education United Streaming – Accounts for local revenues received from school districts which are used to pay for the digital video-on-demand services provided by Discover Education.

3. Fiduciary Funds

Fiduciary funds are used to account for assets held by the Regional Office of Education No. 31 in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Agency Funds - Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities) and do not involve measurements of results of operations.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Fiduciary Funds (Continued)

Agency Funds (Continued)

Distributive – Accounts for State and federal funds appropriated to Valley Education for Employment System and to school districts which are paid through the Kane County Regional Office of Education No. 31. These proceeds are received and disbursed to these entities and accounted for in a trustee capacity.

Juvenile Drug Court – The Regional Office provides fiscal support to the Sixteenth Judicial Circuit Court for a program to assist juvenile drug offenders in DeKalb, Kane and Kendall Counties. The program is funded by a grant from the City of Aurora.

Payroll – Accounts for local monies received and subsequent payment of payroll expenditures.

Regional Board of Trustees – Accounts for cash received from entities and citizens petitioning the Regional Board of Trustees to change boundaries. The Regional Superintendent, as agent, remits the fees collected to the appropriate agencies.

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

1. Deposits and Investments

The Regional Office of Education No. 31 considers cash on hand, checking accounts, savings accounts, and investments held with an original maturity date of 90 days or less to be cash and cash equivalents. State regulations require that Regional Office of Education No. 31 deposit funds under its control into accounts insured by the federal governments, accounts secured by substantial collateral, or pooled investment trusts. All funds not needed for immediate disbursement are maintained in interest bearing accounts.

Statutes authorize the Regional Office of Education No. 31 to make deposits or invest in obligations of states and their political subdivisions, savings accounts, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Money Market Fund.

2. Interfund Transactions

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Capital assets

Capital assets are reported in the applicable columns in the government-wide financial statements. Capital assets, such as equipment, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Assets	Years
Office equipment and furniture	3-5
Leasehold improvements	7

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

4. Deferred Outflows of Resources and Deferred Inflows of Resources

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

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position 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 the year end.

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Equity Classifications

Government-wide and Proprietary Fund Statements

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

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

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

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

Governmental Fund Statements

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

Nonspendable Fund Balance - the portion of a governmental fund's fund balance that is not available to be spent, either short term or long term, in either form or through legal restrictions. There are no funds presenting a nonspendable fund balance.

Restricted Fund Balance - the portion of a governmental fund's fund balance that is subject to external enforceable legal restrictions. The following accounts' fund balances are restricted by grant agreements or contracts: Federal Special Education – IDEA Flow-Through, Regional Safe Schools, Title II – Teacher Quality Leadership, Title I – School Improvement and Accountability, McKinney Education for Homeless Children, Building State Capacity, and Regional Safe School Cooperative Education. The following funds are restricted by Illinois Statute: Institute, General Education Development, and Bus Driver Training.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Equity Classifications (Continued)

Fund Statements (Continued)

Committed Fund Balance - the portion of a governmental fund's fund balance with self-imposed constraints or limitations that have been placed at the highest level of decision making. There are no accounts presenting a committed fund balance.

Assigned Fund Balance - the portion of a governmental fund's fund balance to denote an intended use of resources. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The following accounts comprise assigned fund balance: Youth Home Education and Local Truancy.

Unassigned Fund Balance - available expendable financial resources in a governmental fund that are not designated for a specific purpose. The unassigned fund balance is made up of the Regional Program Development, General State Aid, Operation Snowball, Technology for Success, Truants Alternative Optional Education, ROE/ISC Operations, and Title I Delinquent.

E. New Accounting Pronouncements

In 2016, the Regional Office of Education No. 31 implemented Governmental Accounting Standards Board (GASB) Statement No. 72 – *Fair Value Measurement and Application*, GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statement 67 and 68*, and GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. These Statements had no impact on the financial statements of the Regional Office of Education No. 31.

2. USE OF ESTIMATES

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

The Illinois Municipal Retirement Fund and Other postemployment benefit liability are estimates based upon Kane County actuary reports. The Kane County Regional Office of Education No. 31 reimburses Kane County for salaries as well as the employer contributions made to postretirement medical plans (OPEB) and the Illinois Municipal Retirement Fund (IMRF). Management has allocated a portion of the Kane County actuarial provided liabilities to the Regional Office of Education No. 31 financial statements in order to reasonably associate the liabilities with the employees of the Regional Office.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

3. BUDGETS AND BUDGETARY ACCOUNTING

The Regional Office of Education No. 31 was not legally required to adopt annual budgets for all funds under its control, and some annual budgets prepared were not based upon the same operating period. Therefore, budgetary reports comparing budgeted to actual expenditures are not presented.

Budgets relating to programs funded by grants from the Illinois State Board of Education are prepared and submitted to the State Board for approval as part of the grant awards process. The State Board must also approve amendments to these budgets. Grant project budgets are based on the award period. Budgetary Comparison Schedules have been presented for the following grants: Technology for Success, Regional Safe Schools, Truants Alternative Optional Education, Title II – Teacher Quality Leadership, ROE/ISC Operations, and Regional Safe Schools Educational Cooperative.

4. INTEREST ON DISTRIBUTIVE FUND ACCOUNTS

Illinois State Board of Education (ISBE) funds received by the Regional Office for the Distributive Fund accrue interest for the period of time between the receipt of the funds and clearance of checks to the recipient. In accordance with an agreement dated May 24, 1988 with the school district boards served, interest earned on Distributive Fund deposits is transferred to the General Fund to offset wire service and other bank charges incurred by the Distributive Fund.

Distributive Fund interest earned and related charges are recognized as revenues and expenditures in the general fund.

5. DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2016, the carrying amount of the Regional Office of Education No. 31's deposits for the governmental activities, business-type activities, and fiduciary funds were \$7,051,008, \$383,872, and \$10,726, respectively. The bank balances totaled \$7,537,470, all of which was secured by federal depository insurance or collateralized with securities held by the pledging financial institution's trust department in the Regional Office of Education No. 31's name, and were, therefore, not exposed to custodial credit risk.

B. Investments

The Regional Office of Education No. 31's investments consisted of certificates of deposit with original maturity dates of more than three months. Certificates of deposit comprised the \$877,321 shown as investments for governmental activities. Certificates of deposit are considered deposits and, as such, are included in the deposits note (5A) above.

At June 30, 2016, the carrying amount of the Regional Office of Education No. 31's deposits in the Illinois Funds Money Market Fund for the governmental activities was \$296,733. The bank balance invested in the Illinois Funds Money Market Fund was \$296,733. This fund enables custodians of public funds an investment option with a competitive rate of return on fully collateralized investments and immediate access to the funds. These deposits are included in cash and cash equivalents in the Regional Office of Education No. 31's governmental activities.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

5. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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 Investment Act, 30 ILCS 235. All investments are fully collateralized.

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

6. RISK MANAGEMENT - CLAIMS AND JUDGMENTS

The Regional Office of Education No. 31 is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation; and natural disasters. The Regional Office of Education No. 31 is covered by commercial insurance to cover these risks of loss. No settlements have exceeded insurance coverage in the current or three previous years.

7. CONTINGENCIES

The Regional Office of Education No. 31 has received funding from federal and State grants in the current and prior years which are subject to audits by granting agencies. The Regional Office of Education No. 31 believes any adjustments that may arise will be insignificant to the Regional Office of Education No. 31's operations.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
Governmental activities:				
Capital assets being depreciated:				
Office equipment	\$ 22,059	\$ 162,620	\$ 17,775	\$ 166,904
Less accumulated depreciation for:				
Office equipment	<u>(20,012)</u>	<u>(20,648)</u>	<u>(17,775)</u>	<u>(22,885)</u>
Governmental activities capital assets, net	<u>\$ 2,047</u>	<u>\$ 141,972</u>	<u>\$ -</u>	<u>\$ 144,019</u>
 Business-type activities:				
Capital assets being depreciated:				
Office equipment	\$ 100,471	\$ -	\$ 61,048	\$ 39,423
Less accumulated depreciation for:				
Office equipment	<u>(67,713)</u>	<u>(12,672)</u>	<u>(47,625)</u>	<u>(32,760)</u>
Business-type activities capital assets, net	<u>\$ 32,758</u>	<u>\$ (12,672)</u>	<u>\$ 13,423</u>	<u>\$ 6,663</u>

Depreciation expense was charged to functions/programs of the Regional Office of Education No. 31 as follows:

Governmental activities:	
Instructional services	<u>\$ 20,648</u>
 Business-type activities:	
Operating expenses	<u>\$ 12,672</u>

9. CAPITAL LEASE

During the fiscal year ended June 30, 2016, the Kane County Regional Office of Education No. 31 entered into a lease agreement to finance the acquisition of copiers. This lease agreement qualifies as a capital lease for accounting purposes, and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date of the lease. The Regional Office of Education No. 31 disposed of the previous capital lease with the acquisition of the new copiers. The gross amount of assets recorded under capital leases is \$61,818 and the accumulated depreciation as of June 30, 2016 was \$7,639. The lease includes an end of term purchase option of \$1.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

9. CAPITAL LEASE (Continued)

The future minimum lease obligations and the net present value of these lease payments as of June 30, 2016 was as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 10,403	\$ 5,917	\$ 16,320
2018	11,717	4,603	16,320
2019	13,196	3,124	16,320
2020	14,863	1,457	16,320
2021	4,000	80	4,080
Total payments	<u>\$ 54,179</u>	<u>\$ 15,181</u>	<u>\$ 69,360</u>

The long term liability activity associated with the capital leases for the year ended June 30, 2016 was as follows:

	<u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
Governmental Funds	\$ 356	\$ 61,818	\$ 7,995	\$ 54,179
Proprietary Funds	19,584	-	19,584	-
Total	<u>\$ 19,940</u>	<u>\$ 61,818</u>	<u>\$ 27,579</u>	<u>\$ 54,179</u>

10. COMPENSATED ABSENCES

The Regional Office of Education No. 31 provides vacation time to all employees except seasonal employees. Vacation time is calculated from the first month in which the date of hire occurred. After one year of continuous service, employees are entitled to vacation pay based upon the years of service. Upon termination, employees receive pay for unused vacation earned from the previous working year. In addition, employees will receive pay for any accrued vacation earned as of the date of termination. The Regional Office of Education No. 31 records a liability associated with compensated absences. The long term liability associated with the compensated absences for the year ended June 30, 2016 was as follows:

	<u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
Governmental Funds	<u>\$ 47,659</u>	<u>\$ 45,967</u>	<u>\$ 46,628</u>	<u>\$ 46,998</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

11. RETIREMENT FUND COMMITMENTS

A. Teachers' Retirement System of the State of Illinois

Plan Description

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

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

Benefits Provided

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

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

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

Contributions

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO THE FINANCIAL STATEMENTS**

11. RETIREMENT FUND COMMITMENTS (Continued)

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

Contributions (Continued)

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 No. 31.

On behalf contributions to TRS – The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education No. 31. For the year ended June 30, 2016, State of Illinois contributions recognized by the Regional Office of Education No. 31 were based on the State's proportionate share of the collective net pension liability associated with the Regional Office of Education No. 31, and the Regional Office of Education No. 31 recognized revenue and expenditures of \$33,840 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 \$471, and are deferred because they were paid after the June 30, 2015 measurement date.

Federal and special trust fund contributions – When TRS members are paid from federal and special trust funds administered by the Regional Office of Education No. 31, there is a statutory requirement for the Regional Office of Education No. 31 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, there were no salaries paid from federal and special trust funds that required employer contributions.

Employer retirement cost contributions – Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The Regional Office of Education No. 31 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 No. 31 made no payments to TRS for employer ERO contributions.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

11. RETIREMENT FUND COMMITMENTS (Continued)

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

Contributions (Continued)

The Regional Office of Education No. 31 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 No. 31 made no payments to TRS for employer contributions due on salary increases in excess of 6 percent or for sick leave days granted in excess of the normal annual allotment.

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

At June 30, 2016, the Regional Office of Education No. 31 reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for State pension support provided to the employer. The State's support and total are for disclosure purposes only. The amount recognized by the employer as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the employer were as follows:

Employer's proportionate share of the net pension liability	\$ 7,810
State's proportionate share of the net pension liability associated with the employer	413,041
	\$ 420,851

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 No. 31'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 No. 31's proportion was 0.0000119213 percent, which is an increase of 0.0000000201 percent from its proportion measured as of June 30, 2014.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

11. RETIREMENT FUND COMMITMENTS (Continued)

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

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

For the year ended June 30, 2016, the Regional Office of Education No. 31 recognized pension expense of \$33,840 and revenue of \$33,840 for support provided by the State. For the year ended June 30, 2016, the Regional Office of Education No. 31 recognized a pension benefit of \$220. At June 30, 2016, the Regional Office of Education No. 31 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences between expected and actual experience	\$ 3	\$ 9
Changes of assumptions	108	-
Net difference between projected and actual earnings on pension plan investments	155	273
Changes in proportion and differences between employer contributions and proportionate share of contributions.	10	2,651
	<u>276</u>	<u>2,933</u>
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	<u>276</u>	<u>2,933</u>
Pension Contributions made Subsequent to the Measurement Date	<u>471</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u><u>\$ 747</u></u>	<u><u>\$ 2,933</u></u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

11. RETIREMENT FUND COMMITMENTS (Continued)

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

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

\$471 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 Ending June 30,	Net Deferred Inflows of Resources
2017	\$ (873)
2018	(873)
2019	(873)
2020	(38)
Total	<u>\$ (2,657)</u>

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%
Salary increases	varies by the amount of service credit
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

11. RETIREMENT FUND COMMITMENTS (Continued)

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

Actuarial assumptions (Continued)

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

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

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

11. RETIREMENT FUND COMMITMENTS (Continued)

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

Discount Rate

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

Based on those assumptions, TRS's fiduciary net position at June 30, 2015 was not projected to be available to make all projected future benefit payments of current active and inactive members and all 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.

Sensitivity of the Regional Office of Education No. 31's proportionate share of the net pension liability to changes in the discount rate

The following presents the Regional Office of Education's proportionate share of the net pension liability calculated using the discount rate of 7.47 percent, as well as what the Regional Office of Education No. 31'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% Lower (6.47%)	Current Discount Rate (7.47%)	1% Higher (8.47%)
Employer's proportionate share of the net pension liability	<u>\$ 9,651</u>	<u>\$ 7,810</u>	<u>\$ 6,300</u>

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.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

11. RETIREMENT FUND COMMITMENTS (Continued)

B. Illinois Municipal Retirement Fund

Plan Description

The Regional Office of Education No. 31's defined benefit pension plan for regular employees provides retirement and disability benefits, postretirement increases, and death benefits to plan members and beneficiaries. The Regional Office of Education No. 31's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a 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.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

11. RETIREMENT FUND COMMITMENTS (Continued)

B. Illinois Municipal Retirement Fund (Continued)

Contributions

As set by statute, the Regional Office of Education No. 31's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Regional Office of Education No. 31's annual contribution rate for calendar year 2015 was 10.87%. For the calendar year 2015, the Regional Office of Education No. 31 contributed \$113,014 to the plan. The Regional Office of Education No. 31 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.

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

The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, and rolled forward to December 31, 2015. The Regional Office of Education No. 31's proportion of the net pension liability was based on the employer's share of contributions to IMRF for the measurement year ended December 31, 2015, relative to the projected contributions of all participating IMRF employers and the County during that period. At December 31, 2015, the Regional Office of Education No. 31's proportion was 1.73879565 percent, which is a decrease of 0.08118468 percent from its proportion measured as of December 31, 2014.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

11. RETIREMENT FUND COMMITMENTS (Continued)

B. Illinois Municipal Retirement Fund (Continued)

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

For the year ended June 30, 2016, the Regional Office of Education No. 31 recognized a pension expense of \$187,445. At June 30, 2016, the Regional Office of Education No. 31 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences between expected and actual experience	\$ 54,816	\$ 2,394
Changes of assumptions	71,019	-
Net difference between projected and actual earnings on pension plan investments	236,539	-
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	362,374	2,394
Pension Contributions made Subsequent to the Measurement Date	66,456	-
Total Deferred Amounts Related to Pensions	\$ 428,830	\$ 2,394

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

11. RETIREMENT FUND COMMITMENTS (Continued)

B. Illinois Municipal Retirement Fund (Continued)

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

\$66,456 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:

<u>Year Ending June 30,</u>	<u>Net Deferred Outflows of Resources</u>
2017	\$ (108,280)
2018	(108,280)
2019	(87,054)
2020	<u>(56,366)</u>
Total	<u>\$ (359,980)</u>

Actuarial assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	expected to be 3.75% to 14.50% including inflation
Investment rate of return	assumed to be 7.5%

The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.

For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

11. RETIREMENT FUND COMMITMENTS (Continued)

B. Illinois Municipal Retirement Fund (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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	100%	

Discount Rate

At December 31, 2015, the discount rate used to measure the total pension liability was a blended rate of 7.50 percent. The projection of cash flows used to determine the 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.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

11. RETIREMENT FUND COMMITMENTS (Continued)

B. Illinois Municipal Retirement Fund (Continued)

Sensitivity of the Regional Office of Education No. 31's proportionate share of the net pension liability to changes in the discount rate

The following presents the Regional Office of Education's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Regional Office of Education No. 31's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	1% Lower (6.50%)	Current Discount Rate (7.50%)	1% Higher (8.50%)
Employer's proportionate share of the net pension liability	<u>\$ 1,052,705</u>	<u>\$ 470,114</u>	<u>\$ (365)</u>

C. Social Security

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

12. OTHER POSTEMPLOYMENT BENEFITS

A. Teacher Health Insurance Security Fund

The Regional Office of Education No. 31 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the state-administered participating provider option plan or choose from several managed care options. Annuitants who are enrolled in Medicare Parts A and B may be eligible to enroll in a Medicare Advantage plan.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of the THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to the TRS who are not employees of the state to make a contribution to the THIS Fund.

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

On behalf contributions to the THIS Fund - The State of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office of Education No. 31. 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 \$868, and the Regional Office of Education No. 31 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 Regional Office of Education No. 31 employees were \$734 and \$720, respectively.

Employer contributions to the THIS Fund - The Regional Office of Education No. 31 also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.80 percent during the year end 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 No. 31 paid \$649 to the THIS Fund. For the years ended June 30, 2015 and June 30, 2014, the Regional Office of Education No. 31 paid \$547 and \$535 to the THIS Fund, respectively, which was 100 percent of the required contribution.

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."

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Other postemployment benefits – health insurance

Plan Description

In addition to providing the pension benefits described, Kane County provides postemployment health care benefits (OPEB) for retired Regional Office of Education No. 31 employees through a single employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Kane County and can be amended by Kane County through its personnel manual, except for the implicit subsidy which is governed by the State Legislature and Illinois Compiled Statutes (ILCS). The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in the Regional Office of Education No. 31 governmental activities.

Benefits Provided

Kane County provides continued health insurance coverage at the blended employer rate to all eligible Regional Office of Education No. 31 retirees in accordance with Illinois Compiled Statutes, which creates an implicit subsidy of retiree health insurance. To be eligible for benefits, an employee must qualify for retirement under the Regional Office of Education No. 31 retirement plan. Upon a retiree reaching 65 years of age, Medicare becomes the primary insurer and the retiree is no longer eligible to participate in the plan, but can purchase a Medicare supplement plan from the Regional Office of Education No. 31 insurance provider.

Membership

At June 30, 2016 membership consisted of:

Retirees and beneficiaries currently receiving benefits	-
Terminated employees entitled to benefits but not yet receiving them	-
Active vested plan members	-
Active nonvested plan members	18
Total	18
Number of participating employers	1

Funding Policy

The Regional Office of Education No. 31 is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Other postemployment benefits – health insurance (Continued)

Annual OPEB Costs and Net OPEB Obligation

Kane County had an actuarial valuation performed for the plan as of November 30, 2014 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended June 30, 2016. The Regional Office of Education No. 31 allocated balances and activity from this valuation based on the percentage of plan participants that are Regional Office employees. The Regional Office of Education No. 31's annual OPEB cost (benefit) of \$(4,478) was equal to the ARC for the fiscal year, as the transition liability was set at zero as of July 1, 2009. The Regional Office of Education No. 31's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal years 2016 and 2015 was as follows:

Fiscal Year Ended	Annual OPEB Cost (benefit)	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	(4,478)	8,416	-188%	204,533
June 30, 2016	(4,478)	-	0%	200,055

The net OPEB obligation as of June 30, 2016, was calculated as follows:

Annual required contribution	\$ -
Interest on net OPEB obligation	8,697
Adjustment to annual required contribution	<u>(13,175)</u>
Decrease in net OPEB obligation	(4,478)
Net OPEB obligation, beginning of year	<u>204,533</u>
Net OPEB obligation, end of year	<u><u>\$ 200,055</u></u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Other postemployment benefits – health insurance (Continued)

Funded Status and Funding Progress

The funded status of the plan was as follows:

	Fiscal Year	
	2016	2015
Actuarial Accrued Liability (AAL)	\$ 200,055	\$ 204,533
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	200,055	204,533
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%
Covered Payroll (Active Plan Members)	\$ 1,019,060	\$ 989,664
UAAL as a Percentage of Covered Payroll	19.63%	20.67%

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 multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016 and 2015, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a discount rate of 4.00% and initial healthcare cost trend rates of 7.00% for PPO plans and 6.50% for HMO plans grading evenly over 10 years to an ultimate healthcare inflation rate of 5.00%. The actuarial value of assets was not determined as the Regional Office of Education No. 31 has not advanced its obligation. The plan's unfunded actuarial accrued liability is being amortized using a level-percent-of-pay method. The remaining amortization period at June 30, 2016 and 2015 was 30 years.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

13. BOND

The Illinois School Code (105 ILCS 5/3-2) directs the Regional Office of Education No. 31 to execute a bond of not less than \$100,000 on the Regional Superintendent. The Regional Office of Education No. 31 has secured and maintained such a bond with coverage of \$100,000 on the Regional Superintendent.

14. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2016, interfund receivables and payables were as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 368,450	\$ -
Education Fund	-	317,441
Proprietary Funds	-	1,059
Totals	\$ 368,450	\$ 318,500

All of the interfund balances due to the General Fund from the Education Fund and Proprietary Funds consisted of loans between individual funds. The loans were used to cover cash shortages in these individual funds.

15. OPERATING LEASE

On April 20, 2015, the Regional Office entered into a lease agreement for a new office building. The lease term is August 1, 2015 through July 31, 2022. The lease is payable in monthly installments that increase annually. Lease expense for the building for the fiscal year ended June 30, 2016 was \$41,019.

The following is a schedule of future minimum lease payments required under the operating lease:

Year Ending June 30,	Amount
2017	\$ 46,389
2018	48,244
2019	50,174
2020	52,181
2021	54,268
2022-2023	61,157
	312,413

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

16. DUE TO/DUE FROM OTHER GOVERNMENTS

The Regional Office of Education No. 31's General Fund, Education Fund, Nonmajor Special Revenue Funds, Proprietary Funds, and Agency Funds had funds due from/to various other governmental units which consisted of the following at June 30, 2016:

Due From Other Governments:	
General Fund:	
Local Governments	<u>\$ 30,628</u>
Education Fund:	
Illinois State Board of Education	<u>642,004</u>
Nonmajor Special Revenue Fund:	
Illinois State Board of Education	<u>2,248</u>
Agency Funds:	
Local Governments	30,628
Illinois State Board of Education	<u>92,004</u>
Total Agency Funds	<u>122,632</u>
	<u><u>\$ 797,512</u></u>
Due To Other Governments:	
Education Fund:	
Local governments	<u>\$ 249,636</u>
Proprietary Funds:	
Local governments	37,107
Illinois State Police	<u>8,399</u>
Total Proprietary Funds	<u>45,506</u>
Agency Funds:	
Local Governments	<u>133,358</u>
	<u><u>\$ 428,500</u></u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

17. ON-BEHALF PAYMENTS

The Regional Office of Education No. 31 received on-behalf payments for employee salaries and benefits from the State of Illinois and Kane County for the following items:

Kane County:	
Salaries and benefits	\$ 323,834
Purchased services	<u>169,811</u>
	<u>493,645</u>
State of Illinois:	
Regional Superintendent-salary	112,008
Regional Superintendent-benefits (includes State paid insurance)	34,600
Assistant Regional Superintendent-salary	100,812
Assistant Regional Superintendent-benefits (includes State paid insurance)	6,334
Teachers' Health Insurance System	<u>868</u>
	<u>254,622</u>
Total	<u><u>\$ 748,267</u></u>

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education. The on-behalf payments are reflected as revenues and expenditures of the General Fund.

The Regional Office of Education No. 31 also recorded \$33,840 in revenue and expenses as on-behalf payments from ISBE for the Regional Office's share of the State's Teachers' Retirement System (TRS) pension expense in the Statement of Activities. In addition, the Regional Office of Education No. 31 has not included any on-behalf payments related to the State's TRS pension expense for the Regional Superintendent or Assistant Regional Superintendent.

Kane County and State of Illinois on-behalf payments	\$ 748,267
ROE 31's share of TRS pension expense	<u>33,840</u>
Total	<u><u>\$ 782,107</u></u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

18. SCHEDULE OF TRANSFERS

During the year ended June 30, 2106, the Regional Office of Education No. 31 reported the following transfers:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 614,546
Proprietary Funds	614,546	-
Totals	\$ 614,546	\$ 614,546

The transfers were made to cover cash shortfalls in the proprietary funds.

19. DEFICIT FUND BALANCE/NET POSITION

The following individual funds carried the following deficit balances as of June 30, 2016:

Operation Snowball	\$ 10
Technology for Success	\$ 290,922
Truants Alternative/Optional Education	\$ 31,480
ROE/ISC Operation	\$ 211,114
Title I Delinquent	\$ 37,331
ESC Professional Development	\$ 41,356
Technology	\$ 1,002
Discover Education United Streaming	\$ 417

The Regional Office of Education No. 31 intends to reduce these deficits by reducing expenditures in future periods and collecting revenues that did not meet the criteria of “available.”

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

NOTES TO THE FINANCIAL STATEMENTS

20. PRIOR PERIOD ADJUSTMENTS

The Regional Office of Education No. 31 has restated net position of the governmental activities in order to report pension related balances in regards to the Illinois Municipal Retirement Fund and other postemployment benefit liabilities. The Regional Office has also restated net position of the nonmajor business-type funds. This restatement is due to a reclassification of funds that were previously reported as major funds. These funds no longer meet the requirements to be reported as major.

	<u>Governmental Activities</u>	<u>Business-Type Activities Nonmajor Funds</u>
Net position at June 30, 2015	\$ 7,702,715	\$ 349,184
Recognition of pension liability	(129,441)	(8,435)
Recognition of deferred outflows related to pension	175,113	11,412
Recognition of deferred inflows related to pension	(3,394)	(221)
Recognition of OPEB liability	(204,533)	-
Reclassification of funds previously reported as major	<u>-</u>	<u>(475,217)</u>
Net position restated at June 30, 2015	<u>\$ 7,540,460</u>	<u>\$ (123,277)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

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

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

	2015	2014
Employer's proportion of the net pension liability	0.0000119213%	0.0000119012%
Employer's proportionate share of the net pension liability	\$ 7,810	\$ 7,243
State's proportionate share of the net pension liability associated with the employer	413,041	450,131
Total	\$ 420,851	\$ 457,374
Employer's covered-employee payroll	\$ 130,302	\$ 132,400
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	5.99%	5.47%
Plan fiduciary net position as a percentage of the total pension liability	41.5%	43.0%

Notes to Schedule

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 a 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.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF ILLINOIS—
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(UNAUDITED)
For the year ended June 30,**

Year Ended June 30,	Statutorily Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2016	\$ 471	\$ 471	-	\$ 81,128	0.58%
2015	417	417	-	130,302	0.32%
2014	425	425	-	132,400	0.32%

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

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

**For the years ended June 30, 2016 and 2015
(Amounts presented are for the years ended December 31, 2015 and 2014)**

	2015	2014
Employer's proportion of the net pension liability	1.73879565%	1.81998033%
Employer's proportionate share of the net pension liability	\$ 470,114	\$ 137,876
County's proportionate share of the net pension liability associated with the employer	26,566,664	7,437,833
Total	\$ 27,036,778	\$ 7,575,709
Employer's covered-employee payroll	\$ 872,443	\$ 836,704
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	53.88%	16.48%
Plan fiduciary net position as a percentage of the total pension liability	88.69%	96.59%

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.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

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

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

<u>Year Ended December 31,</u>	<u>Statutorily Required Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a % of Covered Valuation Payroll</u>
2015	\$ 98,733	\$ 98,733	\$ -	\$ 872,443	11.32%
2014	101,519	101,519	-	\$ 836,704	12.13%

Notes to Schedule

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

Valuation Date:

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

Methods and Assumptions Used to Determine 2015 Contribution Rates:

Actuarial Cost Method:	Aggregate entry age = normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	28-year closed period
Asset Valuation Method:	5-year smoothed market; 20% corridor
Wage Growth:	4%
Price Inflation:	3%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	4.40% to 16%, including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
Mortality:	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.

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

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

Notes to Schedule: (Continued)

Other Information:

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.

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

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**OTHER POST EMPLOYMENT BENEFITS – HEALTH INSURANCE
SCHEDULE OF FUNDING PROGRESS
(UNAUDITED)**

June 30, 2016

(Amounts presented are as of the latest valuation report date)

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)
11/30/14	\$ -	\$ 204,533	\$204,533	0.00%	\$1,019,060	20.07%

The actuarial valuation of the plan was performed as of November 30, 2014. The valuation was completed based upon the use of the entry age actuarial cost method with a 30-year amortization of the unfunded actuarial accrued liability. The results were also based on a discount rate of 4.0% and a health care cost trend rate beginning at 7.0% and scaling down to an ultimate rate of 5.0%.

The information in this schedule will accumulate until a full 3 year trend is presented as required by Statement No. 45.

SUPPLEMENTARY INFORMATION

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2016**

	Regional Program Development	General State Aid	Youth Home Education
Assets:			
Cash and cash equivalents	\$ 1,031,666	\$ 2,363,918	\$ 1,413,630
Due from other funds	368,460	-	-
Due from other governments	30,628	-	-
Investments	-	877,321	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,430,754</u>	<u>\$ 3,241,239</u>	<u>\$ 1,413,630</u>
Liabilities and Fund Balances (Deficits):			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Accrued expenses	2,277	362	-
Payroll liabilities	860	8,543	18,265
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>3,137</u>	<u>8,905</u>	<u>18,265</u>
Fund balances:			
Assigned	-	-	1,395,365
Unassigned	1,427,617	3,232,334	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficits)	<u>1,427,617</u>	<u>3,232,334</u>	<u>1,395,365</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances (deficits)	<u>\$ 1,430,754</u>	<u>\$ 3,241,239</u>	<u>\$ 1,413,630</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2016**

	Local Truancy	Operation Snowball	Eliminations	Total
Assets:				
Cash and cash equivalents	\$ 149,501	\$ -	\$ -	\$ 4,958,715
Due from other funds	-	-	(10)	368,450
Due from other governments	-	-	-	30,628
Investments	-	-	-	877,321
	<u>\$ 149,501</u>	<u>\$ -</u>	<u>\$ (10)</u>	<u>\$ 6,235,114</u>
Liabilities and Fund Balances (Deficits):				
Liabilities:				
Due to other funds	\$ -	\$ 10	\$ (10)	\$ -
Accrued expenses	-	-	-	2,639
Payroll liabilities	-	-	-	27,668
	<u>-</u>	<u>10</u>	<u>(10)</u>	<u>30,307</u>
Fund balances:				
Assigned	149,501	-	-	1,544,866
Unassigned	-	(10)	-	4,659,941
	<u>149,501</u>	<u>(10)</u>	<u>-</u>	<u>6,204,807</u>
Total liabilities and fund balances (deficits)	<u>\$ 149,501</u>	<u>\$ -</u>	<u>\$ (10)</u>	<u>\$ 6,235,114</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
For the year ended June 30, 2016**

	Regional Program Development	General State Aid	Youth Home Education
Revenues:			
Local sources	\$ 5,000	\$ 13,376	\$ -
State sources	-	1,389,063	1,013,744
Federal sources	-	-	-
Interest	7,162	10,336	640
On-behalf payments	-	748,267	-
	<u>12,162</u>	<u>2,161,042</u>	<u>1,014,384</u>
Expenditures:			
Salaries and benefits	21,152	197,438	502,123
Purchased services	123,347	7,319	37,378
Supplies and materials	26,438	65	5,002
Capital outlay	174,441	718	-
Payments to other governments	-	490,042	-
Pension expense	1,729	16,901	36,816
On-behalf payments	-	748,267	-
	<u>347,107</u>	<u>1,460,750</u>	<u>581,319</u>
Excess (deficiency) of revenues over (under) expenditures	(334,945)	700,292	433,065
Other financing sources (uses):			
Transfers out	(614,546)	-	-
Proceeds from capital lease	61,818		
Repayment of long term capital lease	(7,995)		
	<u>(560,723)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(895,668)	700,292	433,065
Fund balances, beginning of year	<u>2,323,285</u>	<u>2,532,042</u>	<u>962,300</u>
Fund balances (deficits), end of year	<u>\$ 1,427,617</u>	<u>\$ 3,232,334</u>	<u>\$ 1,395,365</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
For the year ended June 30, 2016**

	<u>Local Truancy</u>	<u>Operation Snowball</u>	<u>Total</u>
Revenues:			
Local sources	\$ 17,679	\$ -	\$ 36,055
State sources	-	-	2,402,807
Federal sources	-	-	-
Interest	35	-	18,173
On-behalf payments	-	-	748,267
	<u>17,714</u>	<u>-</u>	<u>3,205,302</u>
Expenditures:			
Salaries and benefits	-	-	720,713
Purchased services	8,403	160	176,607
Supplies and materials	359	-	31,864
Capital outlay	-	-	175,159
Payments to other governments	-	-	490,042
Pension expense	-	-	55,446
On-behalf payments	-	-	748,267
	<u>8,762</u>	<u>160</u>	<u>2,398,098</u>
Excess (deficiency) of revenues over (under) expenditures	8,952	(160)	807,204
Other financing sources (uses):			
Transfers out	-	-	(614,546)
Proceeds from capital lease			61,818
Repayment of long term capital lease			(7,995)
	<u>-</u>	<u>-</u>	<u>(560,723)</u>
Net change in fund balances	8,952	(160)	246,481
Fund balances, beginning of year	<u>140,549</u>	<u>150</u>	<u>5,958,326</u>
Fund balances (deficits), end of year	<u>\$ 149,501</u>	<u>\$ (10)</u>	<u>\$ 6,204,807</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2016**

	Technology for Success	Federal Special Education - IDEA Flow- Through	Regional Safe Schools	Truants Alternative/ Optional Education
Assets:				
Cash and cash equivalents	\$ -	\$ 10,825	\$ -	\$ -
Due from other governments	290,434	-	31,437	26,313
Total assets	<u>\$ 290,434</u>	<u>\$ 10,825</u>	<u>\$ 31,437</u>	<u>\$ 26,313</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 1,400	\$ -
Accrued expenses	28	-	-	-
Due to other funds	51,339	-	19,374	18,717
Due to other governments	239,555	-	-	-
Payroll liabilities	-	-	2,516	39,076
Total liabilities	290,922	-	23,290	57,793
Deferred inflows of resources:				
Unavailable revenue	290,434	-	7	-
Fund balances (deficits):				
Restricted	-	10,825	8,140	-
Unassigned	(290,922)	-	-	(31,480)
Total fund balances (deficits)	(290,922)	10,825	8,140	(31,480)
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 290,434</u>	<u>\$ 10,825</u>	<u>\$ 31,437</u>	<u>\$ 26,313</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2016**

	Title II - Teacher Quality Leadership	Title I - School Improvement and Accountability	McKinney Education for Homeless Children	ROE/ISC Operations
Assets:				
Cash and cash equivalents	\$ -	\$ 212,591	\$ 61,928	\$ -
Due from other governments	11,100	6,608	-	211,114
Total assets	\$ 11,100	\$ 219,199	\$ 61,928	\$ 211,114
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)				
Liabilities:				
Accounts payable	\$ -	\$ 2,039	\$ 187	\$ -
Accrued expenses	-	-	-	-
Due to other funds	3,918	-	-	197,374
Due to other governments	-	-	-	-
Payroll liabilities	-	-	1,857	13,740
Total liabilities	3,918	2,039	2,044	211,114
Deferred inflows of resources:				
Unavailable revenue	-	-	-	211,114
Fund balances (deficits):				
Restricted	7,182	217,160	59,884	-
Unassigned	-	-	-	(211,114)
Total fund balances (deficits)	7,182	217,160	59,884	(211,114)
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 11,100	\$ 219,199	\$ 61,928	\$ 211,114

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2016**

	Building State Capacity	Title I Delinquent	RSS Cooperative Education	Totals
Assets:				
Cash and cash equivalents	\$ 2,504	\$ -	\$ 12,337	\$ 300,185
Due from other governments	<u>-</u>	<u>52,868</u>	<u>12,130</u>	<u>642,004</u>
Total assets	<u><u>\$ 2,504</u></u>	<u><u>\$ 52,868</u></u>	<u><u>\$ 24,467</u></u>	<u><u>\$ 942,189</u></u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 3,626
Accrued expenses	-	10,612	-	10,640
Due to other funds	-	26,719	-	317,441
Due to other governments	-	-	10,081	249,636
Payroll liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,189</u>
Total liabilities	-	37,331	10,081	638,532
Deferred inflows of resources:				
Unavailable revenue	<u>-</u>	<u>52,868</u>	<u>6,067</u>	<u>560,490</u>
Fund balances (deficits):				
Restricted	2,504	-	8,319	314,014
Unassigned	<u>-</u>	<u>(37,331)</u>	<u>-</u>	<u>(570,847)</u>
Total fund balances (deficits)	<u><u>2,504</u></u>	<u><u>(37,331)</u></u>	<u><u>8,319</u></u>	<u><u>(256,833)</u></u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u><u>\$ 2,504</u></u>	<u><u>\$ 52,868</u></u>	<u><u>\$ 24,467</u></u>	<u><u>\$ 942,189</u></u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
For the year ended June 30, 2016**

	Technology for Success	Federal Special Education - IDEA Flow- Through	Regional Safe Schools	Truants Alternative/ Optional Education
Revenues:				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	96,810	-	327,485	236,753
Federal sources	-	-	-	-
Interest	-	4	3	-
	<u>96,810</u>	<u>4</u>	<u>327,488</u>	<u>236,753</u>
Expenditures:				
Salaries and benefits	42,678	-	69,835	237,673
Purchased services	21,645	-	3,670	15,214
Supplies and materials	-	-	-	85
Capital outlay	-	-	-	-
Payment to other governments	319,406	-	256,024	-
Other objects	-	-	-	-
Pension expense	3,542	-	1,481	15,261
	<u>387,271</u>	<u>-</u>	<u>331,010</u>	<u>268,233</u>
Net change in fund balance	(290,461)	4	(3,522)	(31,480)
Fund balances (deficits), beginning of year	<u>(461)</u>	<u>10,821</u>	<u>11,662</u>	<u>-</u>
Fund balances (deficits), end of year	<u><u>\$ (290,922)</u></u>	<u><u>\$ 10,825</u></u>	<u><u>\$ 8,140</u></u>	<u><u>\$ (31,480)</u></u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
For the year ended June 30, 2016**

	Title II - Teacher Quality Leadership	Title I - School Improvement and Accountability	McKinney Education for Homeless Children	ROE/ISC Operations
Revenues:				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	17,140	67,633	63,397	-
Interest	2	48	14	-
	<u>17,142</u>	<u>67,681</u>	<u>63,411</u>	<u>-</u>
Total revenues	<u>17,142</u>	<u>67,681</u>	<u>63,411</u>	<u>-</u>
Expenditures:				
Salaries and benefits	-	1,531	46,984	167,511
Purchased services	18,340	65,475	11,658	29,076
Supplies and materials	-	627	-	540
Capital outlay	-	-	-	-
Payment to other governments	-	-	-	-
Other objects	-	-	-	-
Pension expense	-	-	3,933	13,987
	<u>18,340</u>	<u>67,633</u>	<u>62,575</u>	<u>211,114</u>
Total expenditures	<u>18,340</u>	<u>67,633</u>	<u>62,575</u>	<u>211,114</u>
Net change in fund balance	(1,198)	48	836	(211,114)
Fund balances (deficits), beginning of year	<u>8,380</u>	<u>217,112</u>	<u>59,048</u>	<u>-</u>
Fund balances (deficits), end of year	<u>\$ 7,182</u>	<u>\$ 217,160</u>	<u>\$ 59,884</u>	<u>\$ (211,114)</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
For the year ended June 30, 2016**

	Building State Capacity	Title I Delinquent	RSS Cooperative Education	Total
Revenues:				
Local sources	\$ -	\$ 37,996	\$ -	\$ 37,996
State sources	-	-	48,504	709,552
Federal sources	-	-	-	148,170
Interest	1	-	2	74
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1	37,996	48,506	895,792
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
Salaries and benefits	-	-	13,527	579,739
Purchased services	-	45,177	9,905	220,160
Supplies and materials	-	9,319	16,755	27,326
Capital outlay	-	12,342	-	12,342
Payment to other governments	-	-	-	575,430
Other objects	-	-	-	-
Pension expense	-	-	-	38,204
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	-	66,838	40,187	1,453,201
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	1	(28,842)	8,319	(557,409)
Fund balances (deficits), beginning of year	2,503	(8,489)	-	300,576
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances (deficits), end of year	\$ 2,504	\$ (37,331)	\$ 8,319	\$ (256,833)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TECHNOLOGY FOR SUCCESS
For the year ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
Revenues:			
State sources	<u>\$ 387,244</u>	<u>\$ 387,244</u>	<u>\$ 96,810</u>
Total revenues	<u>387,244</u>	<u>387,244</u>	<u>96,810</u>
Expenditures:			
Salaries and benefits	42,698	42,698	42,678
Purchased services	25,140	25,140	21,645
Payments to other governments	319,406	319,406	319,406
Pension expense	<u>-</u>	<u>-</u>	<u>3,542</u>
Total expenditures	<u>387,244</u>	<u>387,244</u>	<u>387,271</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(290,461)
Fund balance (deficit), beginning of year			<u>(461)</u>
Fund balance (deficit), end of year			<u>\$ (290,922)</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
REGIONAL SAFE SCHOOLS
For the year ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
Revenues:			
State sources	\$ 327,492	\$ 327,492	\$ 327,485
Interest	-	-	3
	<u>327,492</u>	<u>327,492</u>	<u>327,488</u>
Total revenues			
Expenditures:			
Salaries and benefits	86,498	86,498	69,835
Purchased services	25,513	25,513	3,670
Supplies and materials	2,128	2,128	-
Payments to other governments	213,353	213,353	256,024
Pension expense	-	-	1,481
	<u>327,492</u>	<u>327,492</u>	<u>331,010</u>
Total expenditures			
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(3,522)
Fund balance, beginning of year			<u>11,662</u>
Fund balance, end of year			<u>\$ 8,140</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TRUANTS ALTERNATIVE/OPTIONAL EDUCATION
For the year ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
Revenues:			
State sources	<u>\$ 236,753</u>	<u>\$ 236,753</u>	<u>\$ 236,753</u>
Total revenues	<u>236,753</u>	<u>236,753</u>	<u>236,753</u>
Expenditures:			
Salaries and benefits	227,527	227,527	237,673
Purchased services	8,726	8,726	15,214
Supplies and materials	500	500	85
Pension expense	<u>-</u>	<u>-</u>	<u>15,261</u>
Total expenditures	<u>236,753</u>	<u>236,753</u>	<u>268,233</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(31,480)
Fund balance, beginning of year			<u>-</u>
Fund balance (deficit), end of year			<u>\$ (31,480)</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TITLE II – TEACHER QUALITY LEADERSHIP (2015)
For the year ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
Revenues:			
Federal sources	<u>\$ 20,425</u>	<u>\$ 20,425</u>	<u>\$ 800</u>
Total revenues	<u>20,425</u>	<u>20,425</u>	<u>800</u>
Expenditures:			
Salaries and benefits	925	925	-
Purchased services	<u>19,500</u>	<u>19,500</u>	<u>800</u>
Total expenditures	<u>20,425</u>	<u>20,425</u>	<u>800</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund balance, beginning of year			<u>8,380</u>
Fund balance, October 31, 2015			<u>\$ 8,380</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TITLE II – TEACHER QUALITY LEADERSHIP (2016)
For the year ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
Revenues:			
Federal sources	\$ 16,340	\$ 16,340	\$ 16,340
Interest	-	-	2
Total revenues	<u>16,340</u>	<u>16,340</u>	<u>16,342</u>
Expenditures:			
Purchased services	<u>16,340</u>	<u>16,340</u>	<u>17,540</u>
Total expenditures	<u>16,340</u>	<u>16,340</u>	<u>17,540</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(1,198)
Fund balance, November 1, 2015			<u>8,380</u>
Fund balance, end of year			<u>\$ 7,182</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
ROE/ISC OPERATIONS
For the year ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
Revenues:			
State sources	<u>\$ 210,904</u>	<u>\$ 211,114</u>	<u>\$ -</u>
Total revenues	<u>210,904</u>	<u>211,114</u>	<u>-</u>
Expenditures:			
Salaries and benefits	180,830	180,830	167,511
Purchased services	24,160	24,370	29,076
Supplies and materials	5,914	5,914	540
Pension expense	<u>-</u>	<u>-</u>	<u>13,987</u>
Total expenditures	<u>210,904</u>	<u>211,114</u>	<u>211,114</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Fund balance, beginning of year			<u>-</u>
Fund balance (deficit), end of year			<u>\$ (211,114)</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
REGIONAL SAFE SCHOOLS EDUCATIONAL COOPERATIVE
For the year ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
Revenues:			
State sources	\$ 54,571	\$ 54,571	\$ 48,504
Interest	-	-	2
	<u>54,571</u>	<u>54,571</u>	<u>48,506</u>
Total revenues			
Expenditures:			
Salaries and benefits	15,000	13,527	13,527
Purchased services	21,250	7,321	9,905
Supplies and materials	18,321	33,723	16,755
	<u>54,571</u>	<u>54,571</u>	<u>40,187</u>
Total expenditures			
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	8,319
Fund balance, beginning of year			<u>-</u>
Fund balance, end of year			<u>\$ 8,319</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2016**

	General Education Development	Bus Driver Training	Total
Assets:			
Cash and cash equivalents	\$ 104,297	\$ 21,756	\$ 126,053
Accounts receivable	-	1,650	1,650
Due from other governments	-	2,248	2,248
	<u>\$ 104,297</u>	<u>\$ 25,654</u>	<u>\$ 129,951</u>
Liabilities and Fund Balances:			
Liabilities:			
Accrued expenses	\$ -	\$ 80	\$ 80
Total liabilities	<u>-</u>	<u>80</u>	<u>80</u>
Fund balances:			
Restricted	<u>104,297</u>	<u>25,574</u>	<u>129,871</u>
Total fund balances	<u>104,297</u>	<u>25,574</u>	<u>129,871</u>
Total liabilities and fund balances	<u>\$ 104,297</u>	<u>\$ 25,654</u>	<u>\$ 129,951</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**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	Total
Revenues:			
Local sources	\$ 5,736	\$ 14,232	\$ 19,968
State sources	-	2,248	2,248
Interest	136	53	189
Total revenues	<u>5,872</u>	<u>16,533</u>	<u>22,405</u>
Expenditures:			
Purchased services	-	11,506	11,506
Supplies and materials	-	265	265
Total expenditures	<u>-</u>	<u>11,771</u>	<u>11,771</u>
Net changes in fund balances	<u>5,872</u>	<u>4,762</u>	<u>10,634</u>
Fund balances, beginning of year	<u>98,425</u>	<u>20,812</u>	<u>119,237</u>
Fund balances, end of year	<u>\$ 104,297</u>	<u>\$ 25,574</u>	<u>\$ 129,871</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS**

June 30, 2016

	<u>ESC Professional Development</u>	<u>Technology</u>	<u>Kane County Library Resources Consortium</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ -	\$ -	\$ 7,419
Due from other funds	-	-	-
Accounts receivable	4,850	2,596	-
Prepaid expenses	-	9,500	-
	<u>4,850</u>	<u>12,096</u>	<u>7,419</u>
Total current assets			
	4,850	12,096	7,419
Noncurrent assets:			
Capital assets, net	<u>109</u>	<u>207</u>	<u>-</u>
	109	207	-
Total assets			
	<u>4,959</u>	<u>12,303</u>	<u>7,419</u>
Deferred outflow of resources:			
Pension	<u>-</u>	<u>9,847</u>	<u>-</u>
	-	9,847	-
Liabilities:			
Current liabilities:			
Accrued expenses	5,760	1,849	-
Payroll liabilities	-	-	-
Due to other governments	-	-	-
Due to other funds	<u>40,555</u>	<u>10,454</u>	<u>-</u>
	40,555	10,454	-
Total current liabilities			
	<u>46,315</u>	<u>12,303</u>	<u>-</u>
Noncurrent liabilities:			
Net pension liability	<u>-</u>	<u>10,794</u>	<u>-</u>
	-	10,794	-
Total liabilities			
	<u>46,315</u>	<u>23,097</u>	<u>-</u>
Deferred inflow of resources:			
Pension	<u>-</u>	<u>55</u>	<u>-</u>
	-	55	-
Net position:			
Net investment in capital assets	109	207	-
Unrestricted	<u>(41,465)</u>	<u>(1,209)</u>	<u>7,419</u>
	(41,465)	(1,209)	7,419
Total net position			
	<u>\$ (41,356)</u>	<u>\$ (1,002)</u>	<u>\$ 7,419</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS**

June 30, 2016

	<u>Visual Media Cooperative</u>	<u>Local Administrators Academy</u>	<u>Criminal Background Investigation</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 48,522	\$ 159,368	\$ 85,009
Due from other funds	-	-	417
Accounts receivable	-	825	13,480
Prepaid items	-	-	-
	<hr/>	<hr/>	<hr/>
Total current assets	48,522	160,193	98,906
Noncurrent assets:			
Capital assets, net	-	-	6,347
	<hr/>	<hr/>	<hr/>
Total assets	48,522	160,193	105,253
	<hr/>	<hr/>	<hr/>
Deferred outflow of resources:			
Pension	-	-	9,429
	<hr/>	<hr/>	<hr/>
Liabilities:			
Current liabilities:			
Accrued expenses	-	-	-
Payroll liabilities	-	-	1,059
Due to other governments	37,107	-	8,399
Due to other funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total current liabilities	37,107	-	9,458
	<hr/>	<hr/>	<hr/>
Noncurrent liabilities:			
Net pension liability	-	-	10,337
	<hr/>	<hr/>	<hr/>
Total liabilities	37,107	-	19,795
	<hr/>	<hr/>	<hr/>
Deferred inflow of resources:			
Pension	-	-	53
	<hr/>	<hr/>	<hr/>
Net position:			
Net investment in capital assets	-	-	6,347
Unrestricted	11,415	160,193	88,487
	<hr/>	<hr/>	<hr/>
Total net position	\$ 11,415	\$ 160,193	\$ 94,834
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2016**

	Kane County Human Resources Consortium	Discovery Education United Streaming	Eliminations	Totals
Assets:				
Current assets:				
Cash and cash equivalents	\$ 83,554	\$ -	\$ -	\$ 383,872
Due from other funds	-	-	(417)	-
Accounts receivable	-	-	-	21,751
Prepaid items	-	-	-	9,500
Total current assets	83,554	-	(417)	415,123
Noncurrent assets:				
Capital assets, net	-	-	-	6,663
Total assets	83,554	-	(417)	421,786
Deferred outflow of resources:				
Pension	-	-	-	19,276
Liabilities:				
Current liabilities:				
Accrued expenses	-	-	-	7,609
Payroll liabilities	-	-	-	1,059
Due to other governments	-	-	-	45,506
Due to other funds	-	417	(417)	51,009
Total current liabilities	-	417	(417)	105,183
Noncurrent liabilities:				
Net pension liability	-	-	-	21,131
Total liabilities	-	417	(417)	126,314
Deferred inflow of resources:				
Pension	-	-	-	108
Net position:				
Net investment in capital assets	-	-	-	6,663
Unrestricted	83,554	(417)	-	307,977
Total net position	\$ 83,554	\$ (417)	\$ -	\$ 314,640

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

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

For the year ended June 30, 2016

	ESC Professional Development	Technology	Kane County Library Resources Consortium
Operating revenues:			
Charges for services	\$ 29,208	\$ 34,480	\$ 72,798
Total operating revenues	<u>29,208</u>	<u>34,480</u>	<u>72,798</u>
Operating expenses:			
Salaries and benefits	-	24,027	-
Purchased services	145,348	29,213	72,798
Supplies and materials	18,059	4,076	-
Depreciation	6,292	360	3,202
Pension expense	-	5,042	-
Capital Outlay	<u>11,199</u>	<u>3,534</u>	<u>-</u>
Total operating expenses	<u>180,898</u>	<u>66,252</u>	<u>76,000</u>
Operating income (loss)	<u>(151,690)</u>	<u>(31,772)</u>	<u>(3,202)</u>
Nonoperating revenues:			
Investment income	<u>2</u>	<u>-</u>	<u>5</u>
Total nonoperating revenues	<u>2</u>	<u>-</u>	<u>5</u>
Income (loss) before transfers	<u>(151,688)</u>	<u>(31,772)</u>	<u>(3,197)</u>
Transfers in	<u>409,019</u>	<u>205,527</u>	<u>-</u>
Change in net position	257,331	173,755	(3,197)
Net position, beginning of year, restated (See note 20)	<u>(298,687)</u>	<u>(174,757)</u>	<u>10,616</u>
Net position, end of year	<u>\$ (41,356)</u>	<u>\$ (1,002)</u>	<u>\$ 7,419</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
For the year ended June 30, 2016**

	<u>Visual Media Cooperative</u>	<u>Local Administrators Academy</u>	<u>Criminal Background Investigation</u>
Operating revenues:			
Charges for services	\$ -	\$ 9,450	\$ 132,415
Total operating revenues	<u>-</u>	<u>9,450</u>	<u>132,415</u>
Operating expenses:			
Salaries and benefits	-	-	15,673
Purchased services	975	4,832	100,611
Supplies and materials	-	59	1,049
Depreciation	-	-	2,818
Pension expense	-	-	4,115
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>975</u>	<u>4,891</u>	<u>124,266</u>
Operating income (loss)	<u>(975)</u>	<u>4,559</u>	<u>8,149</u>
Nonoperating revenues:			
Investment income	<u>148</u>	<u>45</u>	<u>19</u>
Total nonoperating revenues	<u>148</u>	<u>45</u>	<u>19</u>
Income (loss) before transfers	<u>(827)</u>	<u>4,604</u>	<u>8,168</u>
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(827)</u>	<u>4,604</u>	<u>8,168</u>
Net position, beginning of year, restated (See note 20)	<u>12,242</u>	<u>155,589</u>	<u>86,666</u>
Net position, end of year	<u>\$ 11,415</u>	<u>\$ 160,193</u>	<u>\$ 94,834</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
For the year ended June 30, 2016**

	Kane County Human Resources Consortium	Discovery Education United Streaming	Total
Operating revenues:			
Charges for services	\$ 32,510	\$ 59,400	\$ 370,261
Total operating revenues	<u>32,510</u>	<u>59,400</u>	<u>370,261</u>
Operating expenses:			
Salaries and benefits	12,000	-	51,700
Purchased services	22,450	59,400	435,627
Supplies and materials	-	-	23,243
Depreciation	-	-	12,672
Pension expense	-	-	9,157
Capital Outlay	-	-	14,733
Total operating expenses	<u>34,450</u>	<u>59,400</u>	<u>547,132</u>
Operating income (loss)	<u>(1,940)</u>	<u>-</u>	<u>(176,871)</u>
Nonoperating revenues:			
Investment income	22	1	242
Total nonoperating revenues	<u>22</u>	<u>1</u>	<u>242</u>
Income (loss) before transfers	<u>(1,918)</u>	<u>1</u>	<u>(176,629)</u>
Transfers in	-	-	614,546
Change in net position	(1,918)	1	437,917
Net position, beginning of year, restated (See note 20)	<u>85,472</u>	<u>(418)</u>	<u>(123,277)</u>
Net position, end of year	<u>\$ 83,554</u>	<u>\$ (417)</u>	<u>\$ 314,640</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the year ended June 30, 2016**

	ESC Professional Development	Technology	Kane County Library Resources Consortium
Cash flows from operating activities:			
Receipts from customers	\$ 28,868	\$ 35,732	\$ 72,798
Payments to suppliers and providers of goods and services	(172,103)	(48,293)	(72,798)
Payments to employees	-	(26,263)	-
Net cash provided (used) by operating activities	<u>(143,235)</u>	<u>(38,824)</u>	<u>-</u>
Cash flows from investing activities:			
Interest received	<u>2</u>	<u>-</u>	<u>5</u>
Cash flows from capital and related financing activities:			
Payment of capital lease liability	<u>(6,161)</u>	<u>-</u>	<u>-</u>
Cash flows from noncapital financing activities:			
Outflows due to interfund borrowings, net	(259,625)	(166,703)	-
Transfers from other funds	<u>409,019</u>	<u>205,527</u>	<u>-</u>
Net cash provided by (used for) noncapital financing activities	<u>149,394</u>	<u>38,824</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-	-	5
Cash and cash equivalents - beginning	<u>-</u>	<u>-</u>	<u>7,414</u>
Cash and cash equivalents- ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,419</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (151,690)	\$ (31,772)	\$ (3,202)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	6,292	360	3,202
Pension expense	-	5,042	-
Cash contributions for pension liability	-	(2,267)	-
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	(340)	1,252	-
Decrease (increase) in prepaid expense	-	(9,500)	-
Increase in accrued expenses	2,503	297	-
Decrease in payroll liabilities	-	(2,236)	-
Decrease in due to other governments	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (143,235)</u>	<u>\$ (38,824)</u>	<u>\$ -</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the year ended June 30, 2016**

	Visual Media Cooperative	Local Administrators Academy	Criminal Background Investigation
Cash flows from operating activities:			
Receipts from customers	\$ -	16,320	\$ 129,996
Payments to suppliers and providers of goods and services	(975)	(4,890)	(107,858)
Payments to employees	-	-	(16,454)
Net cash provided (used) by operating activities	<u>(975)</u>	<u>11,430</u>	<u>5,684</u>
Cash flows from investing activities:			
Interest received	<u>148</u>	<u>45</u>	<u>19</u>
Cash flows from capital and related financing activities:			
Payment of capital lease liability	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from noncapital financing activities:			
Outflows due to interfund borrowings, net	-	-	(417)
Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>(417)</u>
Net increase (decrease) in cash and cash equivalents	(827)	11,475	5,286
Cash and cash equivalents - beginning	<u>49,349</u>	<u>147,893</u>	<u>79,723</u>
Cash and cash equivalents- ending	<u>\$ 48,522</u>	<u>\$ 159,368</u>	<u>\$ 85,009</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (975)	\$ 4,559	\$ 8,149
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	-	-	2,818
Pension expense	-	-	4,115
Cash contributions for pension liability	-	-	(2,171)
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	-	6,871	(2,420)
Decrease (increase) in prepaid expense	-	-	-
Increase in accrued expenses	-	-	-
Decrease in payroll liabilities	-	-	(781)
Decrease in due to other governments	<u>-</u>	<u>-</u>	<u>(4,026)</u>
Net cash provided (used) by operating activities	<u>\$ (975)</u>	<u>\$ 11,430</u>	<u>\$ 5,684</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the year ended June 30, 2016**

	Kane County Human Resources Consortium	Discovery Education United Streaming	Total
Cash flows from operating activities:			
Receipts from customers	\$ 32,510	\$ 59,400	\$ 375,624
Payments to suppliers and providers of goods and services	(22,450)	(59,400)	(488,767)
Payments to employees	(12,000)	-	(54,717)
Net cash provided (used) by operating activities	(1,940)	-	(167,860)
Cash flows from investing activities:			
Interest received	22	1	242
Cash flows from capital and related financing activities:			
Payment of capital lease liability	-	-	(6,161)
Cash flows from noncapital financing activities:			
Outflows due to interfund borrowings, net	-	(1)	(426,746)
Transfers from other funds	-	-	614,546
Net cash provided by (used for) noncapital financing activities	-	(1)	187,800
Net increase (decrease) in cash and cash equivalents	(1,918)	-	14,021
Cash and cash equivalents - beginning	85,472	-	369,851
Cash and cash equivalents- ending	<u>\$ 83,554</u>	<u>\$ -</u>	<u>\$ 383,872</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,940)	\$ -	\$ (176,871)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	-	-	12,672
Pension expense	-	-	9,157
Cash contributions for pension liability			(4,438)
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	-	-	5,363
Decrease (increase) in prepaid expense	-	-	(9,500)
Increase in accrued expenses	-	-	2,800
Decrease in payroll liabilities	-	-	(3,017)
Decrease in due to other governments	-	-	(4,026)
Net cash provided (used) by operating activities	<u>\$ (1,940)</u>	<u>\$ -</u>	<u>\$ (167,860)</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2016**

	Distributive Fund	Juvenile Drug Court	Payroll
Assets:			
Cash and cash equivalents	\$ 4,459	\$ 5,277	\$ -
Due from other governments	92,004	-	30,628
Total assets	\$ 96,463	\$ 5,277	\$ 30,628
Liabilities:			
Due to other governments	\$ 96,463	\$ 5,277	\$ 30,628
Total liabilities	\$ 96,463	\$ 5,277	\$ 30,628

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2016**

	Regional Board of Trustees	Totals
Assets:		
Cash and cash equivalents	\$ 990	\$ 10,726
Due from other governments	-	122,632
	\$ 990	\$ 133,358
Total assets	\$ 990	\$ 133,358
Liabilities:		
Due to other governments	\$ 990	\$ 133,358
Total liabilities	\$ 990	\$ 133,358

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

For the year ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>DISTRIBUTIVE</u>				
Assets:				
Cash and cash equivalents	\$ 4,459	\$ 2,114,279	\$ 2,114,279	\$ 4,459
Due from other governments	-	92,004	-	92,004
Total assets	<u>\$ 4,459</u>	<u>\$ 2,206,283</u>	<u>\$ 2,114,279</u>	<u>\$ 96,463</u>
Liabilities:				
Due to other governments	\$ 4,459	\$ 2,206,283	\$ 2,114,279	\$ 96,463
Total liabilities	<u>\$ 4,459</u>	<u>\$ 2,206,283</u>	<u>\$ 2,114,279</u>	<u>\$ 96,463</u>
<u>JUVENILE DRUG COURT</u>				
Assets:				
Cash and cash equivalents	\$ 5,401	\$ 1	\$ 125	\$ 5,277
Total assets	<u>\$ 5,401</u>	<u>\$ 1</u>	<u>\$ 125</u>	<u>\$ 5,277</u>
Liabilities:				
Due to other governments	\$ 5,401	\$ 1	\$ 125	\$ 5,277
Total liabilities	<u>\$ 5,401</u>	<u>\$ 1</u>	<u>\$ 125</u>	<u>\$ 5,277</u>
<u>PAYROLL</u>				
Assets:				
Cash and cash equivalents	\$ (19,331)	\$ 341,249	\$ 321,918	\$ -
Due from other governments	19,331	30,628	19,331	30,628
Total assets	<u>\$ -</u>	<u>\$ 371,877</u>	<u>\$ 341,249</u>	<u>\$ 30,628</u>
Liabilities:				
Due to other governments	\$ -	\$ 371,877	\$ 341,249	30,628
Total liabilities	<u>\$ -</u>	<u>\$ 371,877</u>	<u>\$ 341,249</u>	<u>\$ 30,628</u>

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the year ended June 30, 2016**

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>REGIONAL BOARD OF TRUSTEES</u>				
Assets:				
Cash and cash equivalents	\$ 990	\$ -	\$ -	\$ 990
Total assets	\$ 990	\$ -	\$ -	\$ 990
Liabilities:				
Due to other governments	\$ 990	\$ -	\$ -	\$ 990
Total liabilities	\$ 990	\$ -	\$ -	\$ 990
 <u>TOTALS - ALL AGENCY FUNDS</u>				
Assets:				
Cash and cash equivalents	\$ (8,481)	\$ 2,455,529	\$ 2,436,322	\$ 10,726
Due from other governments	19,331	122,632	19,331	122,632
Total assets	\$ 10,850	\$ 2,578,161	\$ 2,455,653	\$ 133,358
Liabilities:				
Due to other governments	\$ 10,850	\$ 2,578,161	\$ 2,455,653	\$ 133,358
Total liabilities	\$ 10,850	\$ 2,578,161	\$ 2,455,653	\$ 133,358

**KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS
AND OTHER ENTITIES
DISTRIBUTIVE FUND**

For the year ended June 30, 2016

	<u>Valley Education for Employment System</u>
Career and Technical Education Improvement	\$ 1,450,798
CTE Perkins	<u>663,481</u>
TOTAL	<u><u>\$ 2,114,279</u></u>