

**State of Illinois
WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
FINANCIAL AUDIT
(In Accordance with the Single Audit Act
and OMB Circular A-133)
For the Year Ended June 30, 2015**

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

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 TABLE OF CONTENTS
 JUNE 30, 2015

TABLE OF CONTENTS

	<u>PAGE</u>
Officials	1
Compliance Report Summary	2-3
Financial Statement Report Summary	4
 FINANCIAL SECTION	
Independent Auditors' Report.....	5-7
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	8-9
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	10-12
Schedule of Findings and Questioned Costs	
Section I - Summary of Auditors' Results	13
Section II - Financial Statement Findings	14a-14e
Section III - Federal Award Findings.....	15a-15c
Corrective Action Plan for Current Year Audit Findings	16a-16d
Summary Schedule of Prior Audit Findings	17
Management's Discussion and Analysis.....	18a-18f
 BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements	
Balance Sheet - Governmental Funds	21
Reconciliation of the Governmental Funds Balance Sheet.....	22

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 TABLE OF CONTENTS
 JUNE 30, 2015

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in the Fund Balances to the Statement of Activities.....	24
Statement of Net Position - Proprietary Funds.....	25
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds.....	26
Statement of Cash Flow - Proprietary Funds	27
Notes to the Financial Statements	28-59

REQUIRED SUPPLEMENTAL INFORMATION

Illinois Municipal Retirement Fund - Schedule of Changes in the Net Pension Liability & Related Ratios	60
Illinois Municipal Retirement Fund - Schedule of Employer Contributions	61
Teachers' Retirement System of the State of Illinois - Schedule of the Employer's Proportionate Share of the Net Pension Liability	62
Teachers' Retirement System of the State of Illinois - Schedule of Employer Contributions	62
Other Post-Employment Benefits - Health Insurance Plan for Retired Employees Schedule of Funding Progress	63

OTHER SUPPLEMENTAL INFORMATION

Combining Schedule of Accounts - General Fund	64
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund Accounts.....	65
Combining Schedule of Accounts - Education Fund	66
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Education Fund Accounts	67
Budgetary Comparison Schedules - Education Fund Accounts	
Title II - Teacher Quality (15-4935-02)	68
Title II - Teacher Quality (14-4935-02)	69
McKinney Education for Homeless Children (15-4920-00).....	70
McKinney Education for Homeless Children (14-4920-00).....	71
Regional Safe Schools.....	72
Truants Alternative/Optional Education	73

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
TABLE OF CONTENTS
JUNE 30, 2015

Combining Schedule of Accounts - Professional Development Alliance Fund.....	74
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Professional Development Alliance Fund Accounts.....	75
Budgetary Comparison Schedules - Professional Development Alliance Fund Accounts	
ROE/ISC Operations	76
Technology for Success	77
Title I - School Improvement and Accountability	78
Grundy/Kendall County ROE/ISC Operations	79
 Combining Balance Sheet - Nonmajor Special Revenue Funds	80
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	81
 FEDERAL COMPLIANCE SECTION	
 Schedule of Expenditures of Federal Awards	82
Notes to the Schedule of Expenditures of Federal Awards.....	83

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56

OFFICIALS

Regional Superintendent
(current and during the audit period)

Mr. Shawn T. Walsh

Assistant Regional Superintendent
(current and during the audit period)

Mr. Frank Perucca

Office is located at:

702 West Maple Street
New Lenox, Illinois 60451

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56

COMPLIANCE REPORT SUMMARY

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	4	3
Repeated audit findings	1	2
Prior recommendations implemented or not repeated	2	1

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
2015-001	14a	Controls over Financial Statement Preparation	Material Weakness
2015-002	14c	Inadequate Internal Control Procedures over Journal Entries	Material Weakness
2015-003	14d	Controls over Financial Accounting System	Material Weakness
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)			
2015-004	15a	Noncompliance with Grant Requirements	Noncompliance/ Significant Deficiency

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56

COMPLIANCE REPORT SUMMARY (Concluded)

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

2014-002	17	Payroll Reporting
2014-003	17	Controls over Institute Fund Expenditures

PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

None

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference on September 2, 2015. Attending were Shawn Walsh, Regional Superintendent, Donna Hettman, Controller, Dee Wheeler, PDA Bookkeeper, and Matt Price, CPA, Kemper CPA Group LLP. Responses to the recommendations were provided by Shawn Walsh, Regional Superintendent.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Will County Regional Office of Education #56 was performed by Kemper CPA Group LLP.

Based on their audit, the auditors expressed an unmodified opinion on the Will County Regional Office of Education #56's basic financial statements.



INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Will County Regional Office of Education #56 as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Will County Regional Office of Education #56's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Will County Regional Office of Education #56, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Notes 1 and 14 to the financial statements, the Will County Regional Office of Education #56 implemented Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, in the current year and has recognized a net pension liability and deferred inflows and outflows of resources related to pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Illinois Municipal Retirement Fund Schedule of Changes in the Net Pension Liability, & Related Ratios, Illinois Municipal Retirement Fund Schedule of Employer Contributions, Teachers' Retirement System of the State of Illinois Schedule of the Employer's Proportionate Share of the Net Pension Liability, Teachers' Retirement System of the State of Illinois Schedule of Employer Contributions, and Other Post-Employment Benefits - Health Insurance Plan for Retired Employees Schedule of Funding Progress on pages 18a through 18f and 60 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

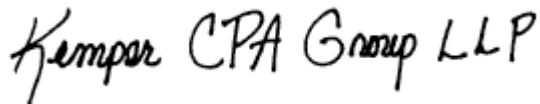
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Will County Regional Office of Education #56's basic financial statements. The combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016 on our consideration of the Will County Regional Office of Education #56's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Will County Regional Office of Education #56's internal control over financial reporting and compliance.



*Certified Public Accountants
and Consultants*

Mattoon, Illinois
June 30, 2016



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Will County Regional Office of Education #56, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Will County Regional Office of Education #56's basic financial statements, and have issued our report thereon dated June 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Will County Regional Office of Education #56's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Will County Regional Office of Education #56's internal control. Accordingly, we do not express an opinion on the effectiveness of Will County Regional Office of Education #56's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001, 2015-002, and 2015-003 to be material weaknesses.

Compliance and Other Matters

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

Regional Office of Education #56's Responses to Findings

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

Purpose of this Report

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

Kemper CPA Group LLP

*Certified Public Accountants
and Consultants*

Mattoon, Illinois
June 30, 2016



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on Compliance for Each Major Federal Program

We have audited Will County Regional Office of Education #56's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Regional Office of Education #56's major federal programs for the year ended June 30, 2015. The Will County Regional Office of Education #56's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Will County Regional Office of Education #56's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Will County Regional Office of Education #56's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Will County Regional Office of Education #56's compliance.

Opinion on Each Major Federal Program

In our opinion, the Will County Regional Office of Education #56 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-004. Our opinion on each major federal program is not modified with respect to this matter.

Will County Regional Office of Education #56's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Will County Regional Office of Education #56's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Will County Regional Office of Education #56 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Will County Regional Office of Education #56's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Will County Regional Office of Education #56's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-004 that we consider to be a significant deficiency.

Will County Regional Office of Education #56's response to the internal control over compliance finding identified in our audit is described in the accompany Schedule of Findings and Questioned

Costs. Will County Regional Office of Education #56's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kemper CPA Group LLP

*Certified Public Accountants
and Consultants*

Mattoon, Illinois
June 30, 2016

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2015

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

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

Federal Awards

Internal control over major federal programs:	
● Material weakness(es) identified?	No
● Significant deficiency(ies) identified?	Yes
Type of auditors’ report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	Yes
Identification of major federal programs:	
CFDA Number(s)	Name of Federal Program or Cluster
84.010A	Title I - School Improvement and Accountability
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	No

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

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

Criteria/Specific Requirement:

The Will County Regional Office of Education #56 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Will County Regional Office of Education #56's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

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

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

Condition:

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

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

Condition(Concluded):

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

Effect:

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

Cause:

According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements. Also, the complex requirements of GASB Statements No. 68 and No. 71 were new for fiscal year 2015 and will require additional time and training before the ROE can fully implement the requirements on its own.

Auditor's Recommendation:

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

Management's Response:

The Regional Office of Education #56 accepts the degree of risk associated with this condition because the additional expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region.

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2015-002 – Inadequate Internal Control Procedures over Journal Entries

Criteria/Specific Requirement:

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

Condition:

Of 19 journal entries examined, three entries (16%) related to reversing prior year accruals were posted incorrectly; two entries (11%) were not supported by adequate documentation and auditors could not determine the validity of the entries; and six entries (32%) examined had no evidence of review by someone independent of the general ledger process.

Effect:

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

Cause:

The Regional Office of Education #56 has not established or documented sufficient internal control procedures over journal entries.

Auditor's Recommendation:

All journal entries should be appropriate and be accompanied by supporting documentation and have documented review and approval by someone independent of the general ledger processes.

Management's Response:

The Regional Office of Education #56 will develop procedures to ensure all journal entries are accompanied by supporting documentation and have documented review and approval by someone independent of the general ledger processes.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2015-003 – Controls over Financial Accounting System

Criteria/Specific Requirement:

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

Condition:

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

In addition, when the initial reports provided to the auditors were aggregated into individual program and fund trial balances, the current year fund balances did not roll forward correctly from the prior year's closing fund balance and one fund was out of balance by \$776.

Effect:

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

Cause:

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

Auditor's Recommendation:

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS (Concluded)

Finding No. 2015-003 – Controls over Financial Accounting System (Concluded)

Management's Response:

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

SECTION III – FEDERAL AWARD FINDINGS

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

Federal Program Name: Title I – School Improvement and Accountability

Project No.: 2015-4331-SS

CFDA No.: 84.010A

Passed Through: Illinois State Board of Education

Federal Agency: U.S. Department of Education

Criteria/Specific Requirement:

The Will County Regional Office of Education #56 must comply with grant accounting and reporting requirements established by grant agreements with the Illinois State Board of Education (ISBE) and other grantors in addition to the requirements established by ISBE’s fiscal policies and procedures for grantees. Specifically, quarterly expenditure reports are due by the 20th of the month following the end of each quarterly reporting period. Also, among these requirements are accurate, current, and complete disclosure of grant financial activity and an amended program budget if an expenditure line item exceeds the budgeted amount by the greater of \$1,000 or 20%.

Condition:

- A. The Title I – School Improvement and Accountability grant expenditure report for the 6/30/2015 quarterly reporting period, which was due 7/20/2015, was not filed until 7/27/2015.
- B. An expenditure report submitted for the Truants Alternative Optional Education Program (TAOEP) did not agree to the expenditures recorded in the Regional Office’s accounting records. Salaries and benefits were understated \$355, purchased services were overstated \$4,693, and supplies and materials were understated \$4,315.
- C. Expenditures for supplies and materials in the Truants Alternative and Optional Education Program exceeded the budgeted amount by more than ISBE’s permitted threshold; however, an amended program budget was not submitted to ISBE.

Questioned Costs:

- A. N/A
- B. N/A
- C. N/A

Context:

- A. One of four quarterly reports were filed late.
- B. N/A
- C. N/A

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

SECTION III – FEDERAL AWARD FINDINGS (Continued)

Finding No.: 2015-004 – Noncompliance with Grant Requirements (Concluded)

Effect:

- A. The Regional Office was not in compliance with grant requirements.
- B. An expenditure report submitted to a grantor did not accurately reflect actual expenditures, resulting in a failure to comply with the grant requirement for accurate, current, and complete disclosure of financial results.
- C. Failure to amend the TAOEP budget resulted in noncompliance with ISBE's grant requirements.

Cause:

- A. There was a lack of oversight of the reporting process for the Title I – School Improvement and Accountability grant.
- B. The TAOEP expenditure report and budgetary comparison were prepared based on budgeted amounts and not prepared using information obtained from the Regional Office's accounting system.
- C. The TAOEP expenditure report and budgetary comparison were prepared based on budgeted amounts and not prepared using information obtained from the Regional Office's accounting system.

Auditor's Recommendation:

- A. The Regional Office of Education #56 should implement internal control procedures to ensure quarterly expenditure reports are filed in a timely manner.
- B. Grant reports that disclose financial information should be prepared using current and accurate financial data based on reports obtained from the Regional Office's accounting system.
- C. Budgets should be amended and submitted to the granting agency whenever expenditures of a line item exceed thresholds established by the grantor.

Management's Response:

The Regional Office of Education #56 will develop procedures to ensure:

- A. The Regional Office of Education #56 will implement internal control procedures to ensure quarterly expenditure reports are filed in a timely manner.
- B. Grant reports that disclose financial information are prepared using current and accurate financial data based on reports obtained from the Regional Office's accounting system.
- C. Budgets are amended and submitted to the granting agency whenever expenditures of a line item exceed thresholds established by the grantor.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

SECTION III – FEDERAL AWARD FINDINGS (Concluded)

INSTANCES OF NONCOMPLIANCE:

Finding 2015-004 – Noncompliance with Grant Requirements (finding details on page 15a and 15b)

SIGNIFICANT DEFICIENCIES:

Finding 2015-004 – Noncompliance with Grant Requirements (finding details on page 15a and 15b)

MATERIAL WEAKNESSES:

NONE

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

CORRECTIVE ACTION PLAN

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

Condition:

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

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

Plan:

The Regional Office of Education #56 accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region.

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

Anticipated Date of Completion:

Not Applicable

Contact Person Responsible for Corrective Action:

Dr. Shawn Walsh, Regional Superintendent

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

CORRECTIVE ACTION PLAN (Continued)

Finding No. 2015-002 – Inadequate Internal Control Procedures over Journal Entries

Condition:

Of 19 journal entries examined, three entries (16%) related to reversing prior year accruals were posted incorrectly; two entries (11%) were not supported by adequate documentation and auditors could not determine the validity of the entries; and six entries (32%) examined had no evidence of review by someone independent of the general ledger process.

Plan:

The Regional Office of Education #56 will develop procedures to ensure all journal entries are accompanied by supporting documentation and have documented review and approval by someone independent of the general ledger processes.

Anticipated Date of Completion:

June 30, 2016

Contact Person Responsible for Corrective Action:

Dr. Shawn Walsh, Regional Superintendent

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

CORRECTIVE ACTION PLAN (Continued)

Finding No. 2015-003 – Controls over Financial Accounting System

Condition:

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

In addition, when the initial reports provided to the auditors were aggregated into individual program and fund trial balances, the current year fund balances did not roll forward correctly from the prior year's closing fund balance and one fund was out of balance by \$776.

Plan:

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

Anticipated Date of Completion:

June 30, 2016

Contact Person Responsible for Corrective Action:

Dr. Shawn Walsh, Regional Superintendent

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

CORRECTIVE ACTION PLAN (Continued)

Finding No. 2015-004 – Noncompliance with Grant Requirements

Condition:

- A. The Title I – School Improvement and Accountability grant expenditure report for the 6/30/2015 quarterly reporting period, which was due 7/20/2015, was not filed until 7/27/2015.
- B. An expenditure report submitted for the Truants Alternative Optional Education Program (TAOEP) did not agree to the expenditures recorded in the Regional Office’s accounting records. Salaries and benefits were understated \$355, purchased services were overstated \$4,693, and supplies and materials were understated \$4,315.
- C. Expenditures for supplies and materials in the Truants Alternative and Optional Education Program exceeded the budgeted amount by more than ISBE’s permitted threshold; however, an amended budget was not submitted to ISBE.

Plan:

The Regional Office of Education #56 will develop procedures to ensure:

- A. The Regional Office of Education #56 will implement internal control procedures to ensure quarterly expenditure reports are filed in a timely manner.
- B. Grant reports that disclose financial information are prepared using current and accurate financial data based on reports obtained from the Regional Office’s accounting system.
- C. Budgets are amended and submitted to the granting agency whenever expenditures of a line item exceed thresholds established by the grantor.

Anticipated Date of Completion:

June 30, 2016

Contact Person Responsible for Corrective Action:

Dr. Shawn Walsh, Regional Superintendent

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
2014-001	Controls over Financial Statement Preparation	Repeated as Finding 2015-001
2014-002	Payroll Reporting	Corrected
2014-003	Controls over Institute Fund Expenditures	Corrected

MANAGEMENT'S DISCUSSION AND ANALYSIS

**WILL COUNTY REGIONAL OFFICE OF EDUCATION #56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

The Will County Regional Office of Education #56 (ROE #56) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2015, with comparative information for the year ended June 30, 2014. Readers are encouraged to consider the information in conjunction with the ROE #56's financial statements that follow.

2015 Financial Highlights

- The General Fund revenues decreased by \$366,575 (16%) from \$2,300,816 in FY 2014 to \$1,934,241 in FY 2015. The General Fund expenditures decreased by \$417,710 (17%) from \$2,424,763 in FY 2014 to \$2,007,053 in FY 2015. The decrease in revenues was due to the proration of General State Aid payments. The General Assembly appropriated less money for General State Aid purposes. They kept the level at \$6,119 per student but they only paid 87% of that total for FY 2015.
- The Special Revenue Fund revenues increased by \$6,230 (.3%) from \$2,186,183 in FY 2014 to \$2,192,413 in FY 2015. The Special Revenue Fund expenditures decreased by \$162,960 (8%) from \$2,136,755 in FY 2014 to \$1,971,795 in FY 2015. The decrease in expenditures was mainly due to a decrease in Institute Fund purchased services.
- The Enterprise Fund revenues increased by \$12,049 (2%) from \$512,379 in FY 2014 to \$524,428 in FY 2015. The Enterprise Fund expenditures decreased by \$56,969 (8%) from \$714,379 in FY 2014 to \$657,411 in FY 2015. The decrease in expenditures was due to successful efforts in lowering costs related to executing professional development workshops.

Using This Report

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

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

**WILL COUNTY REGIONAL OFFICE OF EDUCATION #56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Reporting the Will County Regional Office as a Whole

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

The Statement of Net Position and the Statement of Activities

Government-wide Financial Statements

The Government-wide financial statements report information about the ROE #56 as a whole. The Statement of Net Position includes all of the assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid using generally accepted accounting principles and GASB 34.

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

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

Fund Financial Statements

The fund financial statements provide detailed information about the ROE #56's funds. Funds are accounting devices that allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by State law. The ROE #56 established other funds to control and manage money for particular purposes.

The Office has three kinds of funds:

- (1) Governmental funds account for those funds through which most governmental functions of the Office are financed. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at the year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Office's programs. The required governmental funds financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

**WILL COUNTY REGIONAL OFFICE OF EDUCATION #56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

- (2) Proprietary funds account for resources from fees charged directly to those entities or individuals that use its services. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by government-wide financial statements. The required proprietary funds financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows.
- (3) Fiduciary funds are used to account for assets held by the ROE #56 in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The required fiduciary funds financial statements include a Statement of Fiduciary Net Position.

Government-Wide Financial Analysis

As noted earlier, net position may serve when examined over time as one indicator of the financial position of the ROE #56. The net position at the end of FY 2015 and FY 2014 totaled \$5,363,083 and \$5,166,451, respectively. The analysis that follows provides a summary of the ROE #56's net position as of June 30, 2015 and 2014.

CONDENSED STATEMENT OF NET POSITION

	CONDENSED STATEMENT OF NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current assets	\$ 5,017,760	\$ 5,142,029	\$ 353,206	\$ 195,060	\$ 5,370,966	\$ 5,337,089
Noncurrent assets	89,476	-	70,944	-	160,420	-
Total assets	<u>5,107,236</u>	<u>5,142,029</u>	<u>424,150</u>	<u>195,060</u>	<u>5,531,386</u>	<u>5,337,089</u>
Deferred outflows of resources	54,300	-	40,393	-	94,693	-
Current liabilities	146,844	145,854	29,415	24,784	176,259	170,638
Noncurrent liabilities	57,306	-	-	-	57,306	-
Total liabilities	<u>204,150</u>	<u>145,854</u>	<u>29,415</u>	<u>24,784</u>	<u>233,565</u>	<u>170,638</u>
Deferred inflows of resources	22,926	-	6,505	-	29,431	-
Net position:						
Restricted - other	1,209,083	1,182,413	70,944	-	1,280,027	1,182,413
Unrestricted	3,725,377	3,813,762	357,679	170,276	4,083,056	3,984,038
Total net position	<u>\$ 4,934,460</u>	<u>\$ 4,996,175</u>	<u>\$ 428,623</u>	<u>\$ 170,276</u>	<u>\$ 5,363,083</u>	<u>\$ 5,166,451</u>

The ROE #56's net position increased by \$196,632 (4%) from FY 2014. The increase was a result of recognizing pension-related deferred inflows and outflows of resources totaling \$171,886 as a result of implementing GASB Statement No. 68, as described in Note 14 of the financial statements. Excluding the effects of this restatement, net position would have increased by \$24,746 (.5%).

**WILL COUNTY REGIONAL OFFICE OF EDUCATION #56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

CHANGES IN NET POSITION

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

	<u>CHANGES IN NET POSITION</u>					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Operating grants and contributions	\$ 1,946,314	\$ 1,971,225	\$ -	\$ -	\$ 1,946,314	\$ 1,971,225
General revenues:						
Local sources	364,180	252,925	-	-	364,180	252,925
State sources	820,452	958,895	-	-	820,452	958,895
On-behalf payments - local	709,191	743,336	-	-	709,191	743,336
On-behalf payments - state	573,280	559,474	-	-	573,280	559,474
Fees for services	-	-	524,428	512,379	524,428	512,379
Interest	955	1,144	-	-	955	1,144
Total revenues	<u>4,414,372</u>	<u>4,486,999</u>	<u>524,428</u>	<u>512,379</u>	<u>4,938,800</u>	<u>4,999,378</u>
Expenses:						
Programs expenses:						
Salaries and benefits	1,414,444	1,398,765	323,568	320,660	1,738,012	1,719,425
Purchased Services	913,859	1,360,289	290,372	350,148	1,204,231	1,710,437
Supplies and materials	99,751	115,090	27,584	43,522	127,335	158,612
Other objects	29,659	22,490	1,304	49	30,963	22,539
Payments to other governments	507,556	362,074	-	-	507,556	362,074
Pension expense	20,042	-	14,583	-	34,625	-
Administrative expenses:						
On-behalf payments- local	709,191	743,336	-	-	709,191	743,336
On-behalf payments- state	573,280	559,474	-	-	573,280	559,474
Total expenses	<u>4,267,782</u>	<u>4,561,518</u>	<u>657,411</u>	<u>714,379</u>	<u>4,925,193</u>	<u>5,275,897</u>
Other financing sources (uses):						
Operating transfers	(284,204)	-	284,204	-	-	-
Changes in net position	(137,614)	(74,519)	151,221	(202,000)	13,607	(276,519)
Net position, beginning of year (Restated, see note 14)	<u>5,072,074</u>	<u>5,070,694</u>	<u>277,402</u>	<u>372,276</u>	<u>5,349,476</u>	<u>5,392,970</u>
Net position, end of year	<u>\$ 4,934,460</u>	<u>\$ 4,996,175</u>	<u>\$ 428,623</u>	<u>\$ 170,276</u>	<u>\$ 5,363,083</u>	<u>\$ 5,166,451</u>

Governmental Activities

Revenues for governmental activities were \$4,414,372 and expenditures were \$4,267,782. The decreases in both revenues and expenditures were due to the proration of General State Aid payments and decreases in State and Federal funding.

**WILL COUNTY REGIONAL OFFICE OF EDUCATION #56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Business-Type Activities

Revenues for business-type activities were \$524,428 and expenses were \$657,411. The increase in revenues and decrease in expenditures were due to an increase in technology support income and a reduction in workshop attendance which required less purchased services, and supplies and materials.

Financial Analysis of the ROE #56 Funds

As previously noted, the ROE #56 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency's Governmental Funds reported combined fund balances amounting to \$4,793,417.

Governmental Fund Highlights

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

Proprietary Fund Highlights

Total proprietary fund net position increased by \$151,222.

Budgetary Highlights

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

**WILL COUNTY REGIONAL OFFICE OF EDUCATION #56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Capital Assets

ROE #56's capital assets include office equipment, computers, audio-visual equipment, and building improvements. The ROE #56 maintains an inventory of capital assets which have been accumulated over time. For FY 2015, there were no additions of capital assets. Depreciation expense for both FY 2015 and FY 2014 was \$-0-.

See Note 11 on page 55 for more information regarding capital assets.

Economic Factors and Next Year's Budget

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

- County board support for ROE #56 is expected to maintain level funding from the FY 2015 funding level.
- The growth in the region is stable. Student population for 2015 had a slight decrease in enrollment of 1,479 students, based on fall housing reports.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the ROE #56's citizens, taxpayers, clients, and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of Schools, Will County Regional Office of Education #56, 702 West Maple Street, New Lenox, Illinois 60451.

BASIC FINANCIAL STATEMENTS

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 4,833,242	\$ 289,915	\$ 5,123,157
Accounts receivable	67	31,163	31,230
Due (to) from other funds	(22,718)	22,718	-
Due from other governments:			
Local	2,817	9,410	12,227
State	37,451	-	37,451
Federal	136,478	-	136,478
Prepaid expenses	30,423	-	30,423
Total Current Assets	5,017,760	353,206	5,370,966
Noncurrent Assets:			
Net pension asset	89,476	70,944	160,420
TOTAL ASSETS	5,107,236	424,150	5,531,386
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	54,300	40,393	94,693
LIABILITIES			
Current Liabilities:			
Accounts payable	89,084	29,000	118,084
Accrued payroll	57,694	-	57,694
Due to other governments:			
State	66	-	66
Unearned revenue	-	415	415
Total Current Liabilities	146,844	29,415	176,259
Noncurrent Liabilities			
Net pension liability	57,306	-	57,306
TOTAL LIABILITIES	204,150	29,415	233,565
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	22,926	6,505	29,431
NET POSITION			
Restricted - other	1,209,083	70,944	1,280,027
Unrestricted	3,725,377	357,679	4,083,056
TOTAL NET POSITION	\$ 4,934,460	\$ 428,623	\$ 5,363,083

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instructional Services						
Salaries and benefits	\$ 1,414,444	\$ -	\$ 1,009,083	\$ (405,361)	\$ -	\$ (405,361)
Purchased services	913,859	-	448,592	(465,267)	-	(465,267)
Supplies and materials	99,751	-	22,996	(76,755)	-	(76,755)
Other objects	29,659	-	-	(29,659)	-	(29,659)
Payments to other governments	507,556	-	445,601	(61,955)	-	(61,955)
Pension expense	20,042	-	20,042	-	-	-
Administrative:						
On-behalf payments - Local	709,191	-	-	(709,191)	-	(709,191)
On-behalf payments - State	573,280	-	-	(573,280)	-	(573,280)
Total Governmental Activities	<u>4,267,782</u>	<u>-</u>	<u>1,946,314</u>	<u>(2,321,468)</u>	<u>-</u>	<u>(2,321,468)</u>
Business-Type Activities:						
Fees for services	642,828	524,428	-	-	(118,400)	(118,400)
Pension expense	14,583	-	-	-	(14,583)	(14,583)
Total Business-Type Activities	<u>657,411</u>	<u>524,428</u>	<u>-</u>	<u>-</u>	<u>(132,983)</u>	<u>(132,983)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 4,925,193</u>	<u>\$ 524,428</u>	<u>\$ 1,946,314</u>	<u>(2,321,468)</u>	<u>(132,983)</u>	<u>(2,454,451)</u>
GENERAL REVENUES:						
				364,180	-	364,180
				820,452	-	820,452
				709,191	-	709,191
				573,280	-	573,280
				(284,204)	284,204	-
				955	-	955
			Total General Revenues	<u>2,183,854</u>	<u>284,204</u>	<u>2,468,058</u>
CHANGE IN NET POSITION				(137,614)	151,221	13,607
NET POSITION - BEGINNING, (Restated, See Note 14)				<u>5,072,074</u>	<u>277,402</u>	<u>5,349,476</u>
NET POSITION - ENDING				<u>\$ 4,934,460</u>	<u>\$ 428,623</u>	<u>\$ 5,363,083</u>

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Institute Fund	Education Fund	Professional Development Alliance	Non-Major Funds	Eliminations	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 3,706,305	\$ 917,080	\$ 12,675	\$ 936	\$ 196,246	\$ -	\$ 4,833,242
Accounts receivable	-	-	-	-	67	-	67
Due from other funds	48,796	-	-	-	-	(48,796)	-
Due from other governments:							
Local	9	-	-	-	2,808	-	2,817
State	1,000	-	24,804	11,647	-	-	37,451
Federal	-	-	47,908	88,570	-	-	136,478
Prepaid expenses	25,615	-	4,808	-	-	-	30,423
TOTAL ASSETS	\$ 3,781,725	\$ 917,080	\$ 90,195	\$ 101,153	\$ 199,121	\$ (48,796)	\$ 5,040,478
LIABILITIES							
Accounts payable	\$ 9,247	\$ -	\$ -	\$ 78,435	\$ 1,402	\$ -	\$ 89,084
Accrued payroll	21,169	-	36,525	-	-	-	57,694
Due to other funds	-	-	48,796	22,718	-	(48,796)	22,718
Due to other governments:							
State	-	-	66	-	-	-	66
Total Liabilities	30,416	-	85,387	101,153	1,402	(48,796)	169,562
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	-	-	77,499	-	-	77,499
FUND BALANCE							
Nonspendable	25,615	-	4,808	-	-	-	30,423
Restricted	-	917,080	-	-	197,719	-	1,114,799
Unassigned	3,725,694	-	-	(77,499)	-	-	3,648,195
Total Fund Balances	3,751,309	917,080	4,808	(77,499)	197,719	-	4,793,417
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	\$ 3,781,725	\$ 917,080	\$ 90,195	\$ 101,153	\$ 199,121	\$ (48,796)	\$ 5,040,478

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2015

TOTAL FUND BALANCE — GOVERNMENTAL FUNDS \$ 4,793,417

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

Some revenues will not be collected for several months after the Regional Office fiscal year ends; they are not considered "available" revenues and are deferred in the governmental funds. 77,499

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

Deferred outflows of resources	\$ 54,300	
Deferred inflows of resources	<u>(22,926)</u>	31,374

Noncurrent assets related to pension benefits are collected but not payable in the current period and therefore, are not reported in the funds.

IMRF net pension asset		89,476
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds

TRS net pension liability		<u>(57,306)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 4,934,460

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Institute Fund	Education Fund	Professional Development Alliance	Non-Major Funds	Eliminations	Total Governmental Funds
REVENUES							
Local sources	\$ 124,283	\$ 212,818	\$ -	\$ -	\$ 27,079	\$ -	\$ 364,180
On-behalf payments - Local	709,191	-	-	-	-	-	709,191
State sources	814,394	-	502,674	345,274	3,246	-	1,665,588
On-behalf payments - State	285,562	-	-	-	-	-	285,562
Federal sources	-	-	528,396	495,283	-	-	1,023,679
Total Revenues	1,933,430	212,818	1,031,070	840,557	30,325	-	4,048,200
EXPENDITURES							
Instructional Services:							
Salaries and benefits	405,361	-	556,411	452,672	-	-	1,414,444
Pension expense	-	-	3,327	15,499	-	-	18,826
Purchased services	444,266	6,397	114,034	334,558	14,604	-	913,859
Supplies and materials	76,693	-	19,943	3,053	62	-	99,751
Other objects	24,025	5,590	-	-	44	-	29,659
Payments to other governments	61,955	-	333,327	112,274	-	-	507,556
On-behalf payments	994,753	-	-	-	-	-	994,753
Total Expenditures	2,007,053	11,987	1,027,042	918,056	14,710	-	3,978,848
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(73,623)	200,831	4,028	(77,499)	15,615	-	69,352
OTHER FINANCING SOURCES (USES):							
Transfers in	7,944	-	780	-	-	(8,724)	-
Transfers out	(8,724)	(284,204)	-	-	-	8,724	(284,204)
Interest	811	144	-	-	-	-	955
Total Other Financing Sources (Uses)	31	(284,060)	780	-	-	-	(283,249)
NET CHANGE IN FUND BALANCE	(73,592)	(83,229)	4,808	(77,499)	15,615	-	(213,897)
FUND BALANCE - BEGINNING, (Restated, See Note 14)	3,824,901	1,000,309	-	-	182,104	-	5,007,314
FUND BALANCE - ENDING	\$ 3,751,309	\$ 917,080	\$ 4,808	\$ (77,499)	\$ 197,719	\$ -	\$ 4,793,417

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

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

NET CHANGE IN FUND BALANCE — GOVERNMENTAL FUNDS \$ (213,897)

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

Some revenues will not be collected for several months after the Regional Office fiscal year ends; they are therefore not considered "available" revenues and are deferred in the governmental funds. 77,499

Governmental funds report pension contributions as expenditures.

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

Pension contributions	\$ 18,826	
Cost of benefits earned, net	<u>(20,042)</u>	<u>(1,216)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (137,614)

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business Type Activities - Enterprise Funds		
	Local	(Nonmajor) Criminal Background	Total
	PDA Funds	Investigation	
ASSETS			
Cash and cash equivalents	\$ 174,852	\$ 115,063	\$ 289,915
Accounts receivable	31,163	-	31,163
Due from other funds	22,718	-	22,718
Due from other governments:			
Local	-	9,410	9,410
Total current assets	228,733	124,473	353,206
Noncurrent assets:			
Net pension asset	70,944	-	70,944
TOTAL ASSETS	299,677	124,473	424,150
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	40,393	-	40,393
LIABILITIES			
Accounts payable	22,602	6,398	29,000
Unearned revenue	415	-	415
TOTAL LIABILITIES	23,017	6,398	29,415
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	6,505	-	6,505
NET POSITION			
Restricted - other	70,944	-	70,944
Unrestricted	239,604	118,075	357,679
TOTAL NET POSITION	\$ 310,548	\$ 118,075	\$ 428,623

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business Type Activities - Enterprise Funds		Total
	Local PDA Funds	(Nonmajor) Criminal Background Investigation	
OPERATING REVENUES			
Fees for services	\$ 425,892	\$ 98,536	\$ 524,428
Total Operating Revenues	<u>425,892</u>	<u>98,536</u>	<u>524,428</u>
OPERATING EXPENSES			
Salaries and benefits	323,568	-	323,568
Pension expense	14,583	-	14,583
Purchased services	212,181	78,191	290,372
Supplies and materials	27,330	254	27,584
Other objects	1,304	-	1,304
Total Operating Expenses	<u>578,966</u>	<u>78,445</u>	<u>657,411</u>
Operating Income (Loss)	<u>(153,074)</u>	<u>20,091</u>	<u>(132,983)</u>
NONOPERATING REVENUE			
Transfer In	284,204	-	284,204
Total Nonoperating Revenue	<u>284,204</u>	<u>-</u>	<u>284,204</u>
CHANGE IN NET POSITION	131,130	20,091	151,221
TOTAL NET POSITION - BEGINNING, (Restated, See Note 14)	<u>179,418</u>	<u>97,984</u>	<u>277,402</u>
TOTAL NET POSITION - ENDING	<u>\$ 310,548</u>	<u>\$ 118,075</u>	<u>\$ 428,623</u>

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business Type Activities - Enterprise Funds		Totals
	Local PDA Funds	Criminal Background Investigation	
Cash Flows from Operating Activities:			
Receipts from customers	\$ 430,125	\$ 95,594	\$ 525,719
Payments to suppliers and providers of goods and services	(236,880)	(78,029)	(314,909)
Payments to employees	(335,857)	-	(335,857)
Net Cash Provided by (Used for) Operating Activities	<u>(142,612)</u>	<u>17,565</u>	<u>(125,047)</u>
Cash Flows from Noncapital Financing Activities:			
Cash transfers from other funds	284,204	-	284,204
Payments for interfund borrowing, net	(9,862)	-	(9,862)
Net Cash Provided by Noncapital Financing Activities	<u>274,342</u>	<u>-</u>	<u>274,342</u>
Net Increase in Cash	131,730	17,565	149,295
Cash and cash equivalents - Beginning	<u>43,122</u>	<u>97,498</u>	<u>140,620</u>
Cash and cash equivalents - Ending	<u>\$ 174,852</u>	<u>\$ 115,063</u>	<u>\$ 289,915</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ (153,074)	\$ 20,091	\$ (132,983)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Pension reconciliation	2,294	-	2,294
Decrease in accounts receivable	3,953	-	3,953
Increase in due from other governments	-	(2,942)	(2,942)
Increase in unearned revenue	280	-	280
Increase in accounts payable	3,935	416	4,351
Net Cash Provided by (Used for) Operating Activities	<u>\$ (142,612)</u>	<u>\$ 17,565</u>	<u>\$ (125,047)</u>

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In 2015, the Regional Office of Education #56 implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The Regional Office of Education #56 implemented these standards during the current year. The implementation of GASB Statement No. 68 established new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position was expected to include a significant liability for the government's proportionate share of employee pension plan. The implementation of GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The implementation of GASB Statement No. 71 resolves an issue related to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

A. DATE OF MANAGEMENT'S REVIEW

Regional Office of Education #56 has evaluated subsequent events through June 30, 2016, the date when the financial statements were available to be issued.

B. FINANCIAL REPORTING ENTITY

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FINANCIAL REPORTING ENTITY (Concluded)

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Will County Regional Office of Education #56's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

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

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

For the period ended June 30, 2015, the Will County Regional Office of Education #56 applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in Will County Regional Office of Education #56. Such activities are reported as a single special revenue fund (Education Fund).

C. SCOPE OF THE REPORTING ENTITY

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

The Will County Regional Office of Education #56 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the Will County Regional Office of Education #56, including districts or joint agreements which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the Will County Regional Office of Education #56 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SCOPE OF THE REPORTING ENTITY (Concluded)

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

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

D. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Will County Regional Office of Education #56's activities with most of the interfund activities removed. Governmental activities include programs supported primarily by State and federal grants and other intergovernmental revenues. The Will County Regional Office of Education #56 has two business-type activities; Local PDA Funds and the Criminal Background Investigation. The Local PDA Fund accounts for the revenues and expenditures associated with workshops put on by the Regional Office. The Criminal Background Investigation accounts for the assessments received from the school districts to pay for the processing of fingerprinting the substitute teachers and expenditures incurred providing this service to the school districts.

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

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities.

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

E. PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

G. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Concluded)

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Will County Regional Office of Education #56; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Under the terms of grant agreements, Will County Regional Office of Education #56 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding resources available to finance the program. It is Regional Office of Education #56's policy to first apply restricted funds to such programs, and then unrestricted funds. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned funds if any.

H. FUND ACCOUNTING

The Will County Regional Office of Education #56 uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Will County Regional Office of Education #56 uses governmental and proprietary funds.

GOVERNMENTAL FUNDS

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

As prescribed by GASB Statement No. 34, governmental fund reporting focuses on the major funds, rather than on the fund type. There is a two-step process for determining if a fund should be reported as a major fund: 1) total assets, (including deferred outflows), liabilities, (including deferred inflows), revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for the fund type, and 2) total assets, (including deferred outflows), liabilities, (including deferred inflows), revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and proprietary funds combined. Funds that do not meet the major fund determination requirements are reported in aggregate as nonmajor funds. The Will County Regional Office of Education #56 has presented all major funds that met the above qualifications. The Will County Regional Office of Education #56 reports the following major governmental funds:

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

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

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

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

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

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

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

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

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

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

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

Major Special Revenue Funds (Continued)

Education (Concluded)

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

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

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

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

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

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

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Concluded)

GOVERNMENTAL FUNDS (Concluded)

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

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

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

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

PROPRIETARY FUNDS

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

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

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

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

I. GOVERNMENTAL FUND BALANCES

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

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. GOVERNMENTAL FUND BALANCES (Concluded)

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

Committed Fund Balance - The portion of a governmental fund's net position with self-imposed constraints or limitations that have been placed at the highest level of decision making. The Regional Office of Education #56 has no committed fund balances.

Assigned Fund Balance - The portion of a governmental fund's net position for which an intended use of resources has been denoted. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The Regional Office of Education #56 has no assigned fund balances.

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

J. NET POSITION

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

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

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

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

K. CASH AND CASH EQUIVALENTS

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. CAPITAL ASSETS

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

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

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

M. COMPENSATED ABSENCES

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

The Executive Director of PDA receives 25 sick days annually. All other eligible employees receive up to 15 sick days annually. There is no limit on the amount of sick days carried forward. Employee sick leave is recorded when paid. Upon termination, employees do not receive any accumulated sick leave pay, and therefore, no liability is accrued.

N. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

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

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

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

O. ESTIMATES

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

P. BUDGET INFORMATION

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

Budgetary comparison schedules have been provided in supplementary schedules for the following funds: Title II - Teacher Quality (15-4935-02), Title II - Teacher Quality (14-4935-02), McKinney Education for Homeless Children (15-4920-00), McKinney Education for Homeless Children (14-4920-00), Regional Safe Schools, Truants Alternative/Optional Education, ROE/ISC Operations, Technology for Success, Title I - School Improvement and Accountability, and Grundy/Kendall County ROE/ISC Operations.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

A. DEPOSITS

At June 30, 2015, the carrying amount of the Will County Regional Office of Education #56's government-wide fund deposits were \$5,123,157 and the bank balance was \$5,184,067. Of the total bank balances as of June 30, 2015, \$480,274 was secured by Federal Depository Insurance Corporation (FDIC), \$1,010,632 was invested in the Illinois Funds Money Market Fund, and \$3,693,161 was collateralized by securities pledged by the Regional Office of Education #56's financial institution in the name of the Regional Office.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS (Concluded)

B. INVESTMENTS

The Will County Regional Office of Education #56 requires that funds be invested solely in investments authorized by the Public Funds Investment Act, 30 ILCS 235/2. As noted above, as of June 30, 2015, the Will County Regional Office of Education #56 had investments with a carrying and fair value of \$1,010,632 invested in the Illinois Funds Money Market, which is reported as cash and cash equivalents in the financial statements.

CREDIT RISK

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

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

INTEREST RATE RISK

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

CONCENTRATION OF CREDIT RISK

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – DEFINED BENEFIT PENSION PLAN

IMRF Plan Description

The Regional Office of Education #56's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The Regional Office of Education #56's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of an agency multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided

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

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

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

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

Employees Covered by Benefit Terms

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)

	IMRF
Retirees and Beneficiaries currently receiving benefits	8
Inactive Plan Members entitled to but not yet receiving benefits	9
Active Plan Members	7
Total	24

Contributions

As set by statute, the Regional Office of Education #56’s Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Regional Office of Education #56’s annual contribution rate for calendar year 2014 was 10.56%. For the calendar year ended 2014, the Regional Office of Education #56 contributed \$39,390 to the plan. The Regional Office of Education #56 also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF’s Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The Regional Office of Education #56’s net pension liability was measured as of December 31, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)

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

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

Single Discount Rate

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

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

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (Asset) (A) - (B)
Balances at December 31, 2013	\$ 1,332,944	\$ 1,553,507	\$ (220,563)
Changes for the year:			
Service Cost	49,868	-	49,868
Interest on the Total Pension Liability	100,073	-	100,073
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(19,639)	-	(19,639)
Changes of Assumptions	58,670	-	58,670
Contributions - Employer	-	39,390	(39,390)
Contributions - Employees	-	22,331	(22,331)
Net Investment Income	-	68,005	(68,005)
Benefit Payments, including Refunds of Employee Contributions	(47,571)	(47,571)	-
Other (Net Transfer)	-	(897)	897
Net Changes	141,401	81,258	60,143
Balances at December 31, 2014	\$ 1,474,345	\$ 1,634,765	\$ (160,420)

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

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

	1% Lower 6.50%	Current Discount 7.50%	1% Higher 8.50%
Net Pension Liability	\$ 75,103	\$ (160,420)	\$ (341,677)

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

For the year ending June 30, 2015, the Regional Office of Education #56 recognized pension expense of \$32,976. At June 30, 2015, the Regional Office of Education #56 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Concluded)

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ -	\$ 14,709
Changes of assumptions	43,941	-
Net difference between projected and actual earnings on pension plan investments	<u>37,325</u>	<u>-</u>
Total Deferred Amounts to be recognized in pension expense in future periods	<u>81,266</u>	<u>14,709</u>
Pension Contributions made subsequent to the Measurement Date	<u>10,070</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u><u>\$ 91,336</u></u>	<u><u>\$ 14,709</u></u>

\$10,070 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending December 31	Net Deferred Outflows of Resources
	<u> </u>
2015	\$ 19,130
2016	19,130
2017	18,966
2018	9,331
2019	-
Thereafter	<u>-</u>
Total	<u><u>\$ 66,557</u></u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

The Will County Regional Office of Education #56 participates in the Teachers’ Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor’s approval. The TRS Board of Trustees is responsible for the System’s administration.

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

Benefits provided

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

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

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

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.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS (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, 2015, was 9.4 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the Regional Office of Education #56.

On behalf contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the Regional Office of Education #56. For the year ended June 30, 2015, State of Illinois contributions recognized by the Regional Office of Education #56 were based on the State’s proportionate share of the collective net pension liability associated with the Regional Office of Education #56, and the Regional Office of Education #56 recognized revenue and expenditures of \$287,718 in pension contributions from the State of Illinois.

2.2 formula contributions. Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2015 were \$3,327, and are deferred because they were paid after the June 30, 2014 measurement date.

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

For the year ended June 30, 2015, the employer pension contribution was 33.00 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2015 no contributions were required for salaries made from federal and special trust funds.

Employer retirement cost contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The Regional Office of Education #56 is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member’s age and salary. The maximum employer ERO contribution under the current program is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2015, the Regional Office of Education #56 paid no employer ERO contributions

The Regional Office of Education #56 is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree’s final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2015 the Regional Office of Education #56 made no payments to TRS for employer contributions due on salary increases in excess of 6 percent and no payments for sick leave days granted in excess of the normal allotment.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

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

At June 30, 2015 the Regional Office of Education #56 reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for State pension support provided to the employer. The State’s support and total are for disclosure purposes only. The amount recognized by the employer as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the employer were as follow:

Employers proportionate share of the net pension liability	\$ 57,306
State’s proportionate share of the net pension liability associated with the employer	<u>3,573,659</u>
Total	<u>\$ 3,630,965</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, and rolled forward to June 30, 2014. The Regional Office of Education #56’s proportion of the net pension liability was based on the employer’s share of contributions to TRS for the measurement year ended June 30, 2014, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2014, the Regional Office of Education #56’s proportion was .0000941630 percent.

The net pension liability as of the beginning of this first measurement period under GASB Statement No. 68 was measured as of June 30, 2013, and the total pension liability was based on the June 30, 2013, actuarial valuation without any roll-up. The Regional Office of Education #56’s proportion of the net pension liability as of June 30, 2013, was based on the Regional Office of Education #56’s share of contributions to TRS for the measurement year ended June 30, 2013, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2013, the employer’s proportion was .0001176521 percent.

For the year ended June 30, 2015, the Regional Office of Education #56 recognized pension expense of \$287,718 and revenue of \$287,718 for support provided by the State. For the year ended June 30, 2015, the Regional Office of Education #56 recognized pension expense of \$1,649. At June 30, 2015, the Regional Office of Education #56 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,880
Change of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	11,842
Employer contributions subsequent to the measurement date	3,327	-
Total	\$ 3,357	\$ 14,722

\$3,327 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (3,587)
2017	(3,587)
2018	(3,587)
2019	(3,587)
2020	(344)
	<u>\$ (14,692)</u>

Actuarial assumptions

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

Inflation	3.00 percent
Salary Increase	5.75 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

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

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

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

Discount Rate

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

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

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

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

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability	\$ 70,770	\$ 57,306	\$ 46,156

TRS fiduciary net position

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

NOTE 5 – TEACHERS’ HEALTH INSURANCE SECURITY FUND

The Regional Office of Education #56 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers’ Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the state-administered participating provider option plan or choose from several managed care options. Annuitants who are enrolled in Medicare Parts A and B may be eligible to enroll in Medicare Advantage plans.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor’s approval. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the state to make a contribution to the THIS Fund.

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

On behalf contributions to the THIS Fund. The State of Illinois makes employer retiree health insurance contributions on behalf of the Regional Office of Education #56. State contributions are intended to match contributions to the THIS Fund from active members which were 1.02 percent of pay during the year ended June 30, 2015. State of Illinois contributions were \$5,851, and the Regional Office of Education #56 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2014 and June 30, 2013 were 0.97 and 0.92 percent of pay, respectively. State contributions on behalf of the Regional Office of Education #56 employees were \$5,636 and \$10,336, respectively.

Employer contributions to THIS Fund. The Regional Office of Education #56 also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.76 percent during the year ended June 30, 2015 and 0.72 and 0.69 percent during the years ended June 30, 2014 and June 30, 2013, respectively. For the year ended June 30, 2015, the Regional Office of Education #2 paid \$4,360 to the THIS Fund, which was 100 percent of the required contribution. For the years ended June 30, 2014 and 2013, the Regional Office paid \$4,183 and \$7,752 to the THIS Fund, respectively, which was 100 percent of the required contribution.

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

NOTE 6 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Generally accepted accounting principles require disclosure of certain information concerning individual funds which are presented only in combination on the financial statements. Funds having deficit fund balances/net position and funds which overexpend appropriations during the year are required to be disclosed. In the Professional Development Fund Accounts, the Title I - School Improvement and Accountability fund had a fund deficit of \$77,499 as of June 30, 2015

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 7 – INTERFUND ACTIVITY

DUE TO/FROM OTHER FUNDS

Interfund due to/from other fund balances at June 30, 2015 consist of the following individual due to/from other funds in the governmental funds balance sheet. The balances between governmental funds were eliminated in the government-wide Statement of Net Position.

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Education Fund	\$ -	\$ 48,796
Professional Development Alliance Fund	-	22,718
General Fund	48,796	-
Proprietary Fund	22,718	-
Total	<u>\$ 71,514</u>	<u>\$ 71,514</u>

TRANSFERS IN/OUT

Interfund transfers in/out to other fund balances at June 30, 2015, consist of the following individual transfers in/out to other funds in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The transfer balances between governmental funds were eliminated in the government-wide Statement of Activities.

	<u>Transfers In</u>	<u>Transfers Out</u>
Education Fund	\$ 780	\$ -
General Fund	7,944	8,724
Institute Fund	-	284,204
Proprietary Fund	284,204	-
Total	<u>\$ 292,928</u>	<u>\$ 292,928</u>

NOTE 8 – RISK MANAGEMENT

The Will County Regional Office of Education #56 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Will County Regional Office of Education #56 has purchased commercial insurance to cover these risks. No losses have been incurred in excess of the amounts covered by insurance over the past three years.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 – OPERATING LEASE

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

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

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 96,000
2017	88,000
Total	<u>\$ 184,000</u>

NOTE 10 – DUE TO/FROM OTHER GOVERNMENTS

The Will County Regional Office of Education #56’s Education Fund, General Fund, Education Fund, Professional Development Alliance Fund, Nonmajor Fund, and Proprietary Fund have funds due from/to various other governmental units which consist of the following:

Due From Other Governments:

General Fund

Local Governments	\$ 9
Illinois State Board of Education	1,000

Education Fund

Illinois State Board of Education	72,712
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Professional Development Alliance Fund

Local Governments	11,647
Illinois State Board of Education	88,570

Proprietary Fund

Local Governments	9,410
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Nonmajor Fund

Local Governments	2,808
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Total	<u>\$ 186,156</u>
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Due To Other Governments:

Education Fund

Illinois State Board of Education	<u>\$ 66</u>
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WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11 – CAPITAL ASSET ACTIVITY

In accordance with GASB Statement No. 34, the Will County Regional Office of Education #56 has reported capital assets in the government-wide Statement of Net Position. Purchases are reported as capital outlay in the governmental fund statements. Purchases of business-type activities are capitalized when purchased. The Regional Office’s assets are composed of furniture and equipment. The following table provides a summary of changes in total assets, accumulated depreciation, and investment in capital assets for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities:				
Equipment	\$ 54,766	\$ -	\$ -	\$ 54,766
Building Improvements	90,439	-	-	90,439
Governmental Activities Total Assets	<u>145,205</u>	<u>-</u>	<u>-</u>	<u>145,205</u>
Less Accumulated Depreciation	145,205	-	-	145,205
Total Accumulated Depreciation	<u>145,205</u>	<u>-</u>	<u>-</u>	<u>145,205</u>
Governmental Activities				
Investment in Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type Activities:				
Equipment	\$ 37,508	\$ -	\$ -	\$ 37,508
Business-type Activities Total Assets	<u>37,508</u>	<u>-</u>	<u>-</u>	<u>37,508</u>
Less Accumulated Depreciation	37,508	-	-	37,508
Total Accumulated Depreciation	<u>37,508</u>	<u>-</u>	<u>-</u>	<u>37,508</u>
Business-type Activities				
Investment in Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. There was no depreciation expense for the year ended June 30, 2015 charged to the governmental activities or the business-type activities on the government-wide Statement of Activities. Investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 – ON-BEHALF PAYMENTS

Will County pays certain expenditures on behalf of the Regional Office of Education #56. The expenditures paid by Will County for the year ended June 30, 2015, were as follows:

Salaries and Benefits	\$ 663,280
Purchased Services	39,245
Supplies and Materials	<u>6,666</u>
	<u>\$ 709,191</u>

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

Regional Superintendent Salary	\$ 111,108
Assistant Regional Superintendent Salary	100,020
Regional Superintendent Benefits (Includes State paid insurance)	36,659
Assistant Regional Superintendent Benefits (Includes State paid insurance)	31,924
Teachers' Health Insurance Security (THIS) Fund Contributions	<u>5,851</u>
Total	<u>\$ 285,562</u>

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

Regional Office of Education #56 also recorded \$287,718 in revenue and expenses as on-behalf payments from ISBE for the Regional Office's share of the State's Teachers' Retirement System (TRS) pension expense in the Statement of Activities. In addition, the Regional Office of Education #56 has not included any on-behalf payments related to the State's TRS pension expense for the Regional Superintendent or Assistant Regional Superintendent.

State of Illinois on-behalf payments	\$ 285,562
ROE #56's share of TRS pension expense	<u>287,718</u>
Total	<u>\$ 573,280</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 & 45 that established generally accepted accounting principles for the annual financial statement for postemployment benefit plans other than pension plans. The required information is as follows:

Membership in the plan consisted of the following as of:

	<u>June 30, 2012</u>
Retirees and beneficiaries receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active vested plan members	7
Active nonvested plan members	<u>5</u>
Total	<u>12</u>
Number of participating employers	1

Schedule of Funding Progress

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

Annual OPEB Cost and Net OPEB Obligation

	<u>June 30, 2012</u>
Annual required contribution	\$ 1,135
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	1,135
Contributions made	<u>-</u>
Increase (decrease) in net OPEB obligation	1,135
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 1,135</u></u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2012	\$ 1,135	0.00%	\$ 1,135
6/30/2011	-	0.00%	-
6/30/2010	-	0.00%	-

Annual Required Contribution

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Service cost	\$ 837	\$ 857
Amortization	248	224
Interest	54	54
Annual required contribution	<u>\$ 1,139</u>	<u>\$ 1,135</u>

Funding Policy and Actuarial Assumptions

Contribution rates:

Employer	
Plan members	0.00%

Actuarial valuation date 6/30/2012

Actuarial cost method Entry age

Amortization period Level percentage of pay, open

Remaining amortization period 30 years

Asset valuation method Market

Actuarial assumptions:

Investment rate of return* 5.00%

Projected salary increases 5.00%

Healthcare inflation rate 8.00% initial, 6.00% ultimate

Mortality, Turnover, Disability, Retirement ages Same rates utilized for IMRF

Active utilization rate: 20%

Employer provided benefit Explicit: None

Implicit: 40% of premium to age 65
(\$697/mo, assumed only single coverage will be elected)

* Includes inflation at 3.00%

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

GASB 45 Summary as of June 30, 2012

<u>Division</u>	<u>Service Cost</u>	<u>Active Liability</u>	<u>Retired Liability</u>	<u>Total Liability</u>	<u>Annual Required Contribution</u>	<u>Expected Payments</u>	<u>Actives</u>	<u>Retirees</u>	<u>Total</u>
All	\$ 837	\$ 7,439	\$ -	\$ 7,439	\$ 1,139	\$ -	12	-	12

Discount Rate: 5.0%

Medical Inflation Rate: 8.0% initial, 6.0% ultimate

Future Payroll Increases: 5.0%

NOTE 14 – RESTATEMENT AND RECLASSIFICATION

In the current year, the interest accumulated in the distributive fund from prior periods was reclassified as a General Fund account which resulted in beginning fund balance to be restated by \$11,139.

The Regional Office of Education #56 implemented GASB 68 and consequently recognized deferred outflows of resources, deferred inflows of resources, and pension liability/asset in the current year. The net opening balance of deferred outflows of resources, deferred inflows of resources, and pension liability/asset was \$171,886. Because these pension-related opening balances reflect pension expenses not previously recognized, the opening net position of the governmental activities and business-type activities on the government-wide Statement of Activities has been restated as follows:

Governmental Activities Net Position

Net position - Beginning, July 1, 2014	\$ 4,996,175
Interest fund reclassification	11,139
Effects of recognizing deferred outflows/inflows of resources and pension asset/liability	64,760
Net position, restated - Beginning, July 1, 2014	<u><u>\$ 5,072,074</u></u>

Business-Type Activities Net Position

Net position - Beginning, July 1, 2014	\$ 170,276
Effects of recognizing deferred outflows/inflows of resources and pension asset/liability	107,126
Net position, restated - Beginning, July 1, 2014	<u><u>\$ 277,402</u></u>

General Fund

Fund balance - Beginning, July 1, 2014	\$ 3,813,762
Interest fund reclassification	11,139
Fund balance, restated - Beginning, July 1, 2014	<u><u>\$ 3,824,901</u></u>

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

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

Calendar Year Ended December 31,	2014
Total Pension Liability	
Service Cost	\$ 49,868
Interest on the Total Pension Liability	100,073
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(19,639)
Changes of Assumptions	58,670
Benefit Payments, including Refunds of Employee Contributions	(47,571)
Net Change in Total Pension Liability	141,401
 Total Pension Liability - Beginning	 1,332,944
 Total Pension Liability - Ending (A)	 \$ 1,474,345
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 39,390
Contributions - Employees	22,331
Net Investment Income	68,005
Benefit Payments, including Refunds of Employee Contributions	(47,571)
Other (Net Transfer)	(897)
Net Change in Plan Fiduciary Net Position	81,258
 Plan Fiduciary Net Position - Beginning	 1,553,507
 Plan Fiduciary Net Position - Ending (B)	 \$ 1,634,765
 Net Pension Liability (Asset)- Ending (A) - (B)	 \$ (160,420)
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 110.88%
 Covered Valuation Payroll	 373,016
 Net Pension Liability (Asset) as a Percentage of Covered Valuation Payroll	 -43.01%

Notes to Schedule:

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND
CALENDAR YEAR 2014

Calendar Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2014	\$ 37,077 *	\$ 39,390	\$ (2,313)	\$ 373,016	10.56%

Notes to Schedule:

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

Valuation Date:

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

Methods and Assumptions Used to Determine 2014 Contribution Rates:

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

Other Information:

Notes: There were no benefit changes during the year.

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

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
FOR THE YEAR ENDED JUNE 30, 2015 *

Employer's proportion of the net pension liability		0.0000941630%
Employer's proportionate share of the net pension liability	\$	57,306
State's proportionate share of the net pension liability associated with the employer		3,573,659
Total	\$	3,630,965
Employer's covered-employee payroll	\$	677,630
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll		8.5%
Plan fiduciary net position as a percentage of the total pension liability		43.0%

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

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

Fiscal Year Ended June 30,	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Employer's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee
2015	\$ 3,327	\$ 3,327	\$ -	\$ 573,653	0.6%
2014	3,370	3,375	(5)	677,630	0.5%

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

Notes to This Required Supplementary Information

Changes of assumptions

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

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 OTHER POST-EMPLOYMENT BENEFITS - HEALTH INSURANCE
 PLAN FOR RETIRED EMPLOYEES
 SCHEDULE OF FUNDING PROGRESS
 (UNAUDITED)
 JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/12	\$ -	\$ 7,439	\$ 7,439	0.00%	\$ 651,499	1.14%
6/30/11	-	-	-	-	-	-
6/30/10	-	-	-	-	-	-

OTHER SUPPLEMENTAL INFORMATION

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
JUNE 30, 2015

	<u>Interest Fund</u>	<u>General Operations</u>	<u>General State Aid</u>	<u>Lincoln School</u>	<u>TOTALS</u>
ASSETS					
Cash and cash equivalents	\$ 11,146	\$ 5,349	\$ 3,633,114	\$ 56,696	\$ 3,706,305
Due from other funds	-	-	48,796	-	48,796
Due from other governments:					
Local	-	9	-	-	9
State	-	-	1,000	-	1,000
Prepaid expenses	-	-	25,615	-	25,615
TOTAL ASSETS	<u>\$ 11,146</u>	<u>\$ 5,358</u>	<u>\$ 3,708,525</u>	<u>\$ 56,696</u>	<u>\$ 3,781,725</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 9,060	\$ 187	\$ 9,247
Accrued payroll	-	-	21,169	-	21,169
Total Liabilities	<u>-</u>	<u>-</u>	<u>30,229</u>	<u>187</u>	<u>30,416</u>
FUND BALANCE					
Nonspendable	-	-	25,615	-	25,615
Unassigned	11,146	5,358	3,652,681	56,509	3,725,694
Total Fund Balance	<u>11,146</u>	<u>5,358</u>	<u>3,678,296</u>	<u>56,509</u>	<u>3,751,309</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,146</u>	<u>\$ 5,358</u>	<u>\$ 3,708,525</u>	<u>\$ 56,696</u>	<u>\$ 3,781,725</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2015

	Interest Fund	General Operations	General State Aid	Lincoln School	TOTALS
REVENUES					
Local sources	\$ -	\$ 6,526	\$ 103,250	\$ 14,507	\$ 124,283
On-behalf payments - Local	-	709,191	-	-	709,191
State sources	-	-	814,394	-	814,394
On-behalf payments - State	-	285,562	-	-	285,562
Total Revenues	-	1,001,279	917,644	14,507	1,933,430
EXPENDITURES					
Salaries and benefits	-	-	404,274	1,087	405,361
Purchased services	-	5,874	438,392	-	444,266
Supplies and materials	-	3,048	69,262	4,383	76,693
Other objects	-	7,689	16,336	-	24,025
Payments to governments	-	-	61,955	-	61,955
On-behalf payments	-	994,753	-	-	994,753
Total Expenditures	-	1,011,364	990,219	5,470	2,007,053
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(10,085)	(72,575)	9,037	(73,623)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	7,944	7,944
Transfers out	-	-	(8,724)	-	(8,724)
Interest	7	-	804	-	811
Total Other Financing Sources (Uses)	7	-	(7,920)	7,944	31
NET CHANGE IN FUND BALANCE	7	(10,085)	(80,495)	16,981	(73,592)
FUND BALANCE - BEGINNING, (Restated, See Note 14)	11,139	15,443	3,758,791	39,528	3,824,901
FUND BALANCE - ENDING	\$ 11,146	\$ 5,358	\$ 3,678,296	\$ 56,509	\$ 3,751,309

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2015

	Title II - Teacher Quality	McKinney Education for Homeless Children	Regional Safe Schools	Truants Alternative/Optional Education	TOTALS
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 12,675	\$ 12,675
Due from other governments:					
State	-	-	24,804	-	24,804
Federal	500	47,408	-	-	47,908
Prepaid Expenses	-	-	2,944	1,864	4,808
TOTAL ASSETS	\$ 500	\$ 47,408	\$ 27,748	\$ 14,539	\$ 90,195
LIABILITIES					
Accrued payroll	\$ -	\$ -	\$ 23,887	\$ 12,638	\$ 36,525
Due to other funds	500	47,408	888	-	48,796
Due to other governments:					
State	-	-	29	37	66
Total Liabilities	500	47,408	24,804	12,675	85,387
FUND BALANCE					
Nonspendable	-	-	2,944	1,864	4,808
Total Fund Balance	-	-	2,944	1,864	4,808
TOTAL LIABILITIES AND FUND BALANCE	\$ 500	\$ 47,408	\$ 27,748	\$ 14,539	\$ 90,195

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2015

	Title II - Teacher Quality	McKinney Education for Homeless Children	Regional Safe Schools	Truants Alternative/Optional Education	TOTALS
REVENUES					
State sources	\$ -	\$ -	\$ 297,622	\$ 205,052	\$ 502,674
Federal sources	26,200	502,196	-	-	528,396
Total Revenues	<u>26,200</u>	<u>502,196</u>	<u>297,622</u>	<u>205,052</u>	<u>1,031,070</u>
EXPENDITURES					
Salaries and benefits	-	82,726	285,083	188,602	556,411
Pension expense	-	-	3,327	-	3,327
Purchased services	26,200	74,372	4,590	8,872	114,034
Supplies and materials	-	12,686	1,543	5,714	19,943
Payments to other governments	-	333,192	135	-	333,327
Total Expenditures	<u>26,200</u>	<u>502,976</u>	<u>294,678</u>	<u>203,188</u>	<u>1,027,042</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(780)</u>	<u>2,944</u>	<u>1,864</u>	<u>4,028</u>
OTHER FINANCING SOURCES					
Transfer in	-	780	-	-	780
Total Other Financing Sources	<u>-</u>	<u>780</u>	<u>-</u>	<u>-</u>	<u>780</u>
NET CHANGE IN FUND BALANCE	-	-	2,944	1,864	4,808
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,944</u>	<u>\$ 1,864</u>	<u>\$ 4,808</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TITLE II - TEACHER QUALITY (15-4935-02)
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 23,067	\$ 23,067	\$ 22,800
Total Revenue	<u>23,067</u>	<u>23,067</u>	<u>22,800</u>
EXPENDITURES			
Purchased services	23,067	23,067	22,800
Total Expenditures	<u>23,067</u>	<u>23,067</u>	<u>22,800</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TITLE II - TEACHER QUALITY (14-4935-02)
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 26,014	\$ 26,014	\$ 3,400
Total Revenue	<u>26,014</u>	<u>26,014</u>	<u>3,400</u>
EXPENDITURES			
Purchased services	26,014	26,014	3,400
Total Expenditures	<u>26,014</u>	<u>26,014</u>	<u>3,400</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Revenues and expenditures are less than budgeted amounts because the grant was extended through August 31, 2014 and only part of the grant was received and expended from July 1, 2014 through August 31, 2014.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
MCKINNEY EDUCATION FOR HOMELESS CHILDREN (15-4920-00)
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 500,000	\$ 516,709	\$ 487,242
Total Revenue	<u>500,000</u>	<u>516,709</u>	<u>487,242</u>
EXPENDITURES			
Salaries and benefits	-	82,725	82,726
Purchased services	155,608	83,883	67,215
Supplies and materials	8,700	16,309	4,889
Capital outlay	600	600	-
Payments to other governments	335,092	333,192	333,192
Total Expenditures	<u>500,000</u>	<u>516,709</u>	<u>488,022</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(780)</u>
OTHER FINANCING SOURCES (USES):			
Transfer in	-	-	780
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>780</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
MCKINNEY EDUCATION FOR HOMELESS CHILDREN (14-4920-00)
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 500,000	\$ 500,000	\$ 14,954
Total Revenue	<u>500,000</u>	<u>500,000</u>	<u>14,954</u>
EXPENDITURES			
Purchased services	155,042	156,576	7,157
Supplies and materials	7,940	10,910	7,797
Capital outlay	600	-	-
Payments to other governments	336,418	332,514	-
Total Expenditures	<u>500,000</u>	<u>500,000</u>	<u>14,954</u>
NET CHANGE IN FUND BALANCE (DEFICIT)			
	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING			
	-	-	-
FUND BALANCE (DEFICIT) - ENDING			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Revenues and expenditures are less than budgeted amounts because the grant was extended through August 31, 2014 and only part of the grant was received and expended from July 1, 2014 through August 31, 2014.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
REGIONAL SAFE SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 304,502	\$ 297,651	\$ 297,622
Total Revenue	<u>304,502</u>	<u>297,651</u>	<u>297,622</u>
EXPENDITURES			
Salaries and benefits	294,247	289,092	285,083
Pension expense	-	-	3,327
Purchased services	8,692	7,016	4,590
Supplies and materials	1,563	1,543	1,543
Payments to other governments	-	-	135
Total Expenditures	<u>304,502</u>	<u>297,651</u>	<u>294,678</u>
NET CHANGE IN FUND BALANCE (DEFICIT)			
	-	-	2,944
FUND BALANCE (DEFICIT) - BEGINNING			
	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,944</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TRUANTS ALTERNATIVE/OPTIONAL EDUCATION
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 207,926	\$ 203,248	\$ 205,052
Total Revenue	<u>207,926</u>	<u>203,248</u>	<u>205,052</u>
EXPENDITURES			
Salaries and benefits	188,862	188,283	188,602
Purchased services	17,064	13,565	8,872
Supplies and materials	2,000	1,400	5,714
Total Expenditures	<u>207,926</u>	<u>203,248</u>	<u>203,188</u>
NET CHANGE IN FUND BALANCE (DEFICIT)			
	-	-	1,864
FUND BALANCE (DEFICIT) - BEGINNING			
	-	-	-
FUND BALANCE (DEFICIT) - ENDING			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,864</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING SCHEDULE OF ACCOUNTS
PROFESSIONAL DEVELOPMENT ALLIANCE FUND
JUNE 30, 2015

	ROE/ISC Operations	Technology for Success	Title I - School Improvement and Accountability	Grundy/Kendall County ROE/ISC Operations	TOTALS
ASSETS					
Cash and cash equivalents	\$ 729	\$ -	\$ -	\$ 207	\$ 936
Due from other governments:					
State	-	11,647	-	-	11,647
Federal	-	-	88,570	-	88,570
Total Assets	<u>\$ 729</u>	<u>\$ 11,647</u>	<u>\$ 88,570</u>	<u>\$ 207</u>	<u>\$ 101,153</u>
LIABILITIES					
Accounts payable	\$ 729	\$ -	\$ 77,499	\$ 207	\$ 78,435
Due to other funds	-	11,647	11,071	-	22,718
Total Liabilities	<u>729</u>	<u>11,647</u>	<u>88,570</u>	<u>207</u>	<u>101,153</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	77,499	-	77,499
FUND BALANCE (DEFICIT)					
Unassigned	-	-	(77,499)	-	(77,499)
Total Fund Balance (Deficit)	<u>-</u>	<u>-</u>	<u>(77,499)</u>	<u>-</u>	<u>(77,499)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	<u>\$ 729</u>	<u>\$ 11,647</u>	<u>\$ 88,570</u>	<u>\$ 207</u>	<u>\$ 101,153</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
PROFESSIONAL DEVELOPMENT ALLIANCE FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2015

	ROE/ISC Operations	Technology for Success	Title I - School Improvement and Accountability	Grundy/Kendall County ROE/ISC Operations	TOTALS
REVENUES					
State sources	\$ 191,044	\$ 59,831	\$ -	\$ 94,399	\$ 345,274
Federal sources	-	-	495,283	-	495,283
Total Revenues	<u>191,044</u>	<u>59,831</u>	<u>495,283</u>	<u>94,399</u>	<u>840,557</u>
EXPENDITURES					
Salaries and benefits	113,024	50,425	222,309	66,914	452,672
Pension expense	6,575	3,195	1,663	4,066	15,499
Purchased services	71,445	6,211	233,483	23,419	334,558
Supplies and materials	-	-	3,053	-	3,053
Payments to other governments	-	-	112,274	-	112,274
Total Expenditures	<u>191,044</u>	<u>59,831</u>	<u>572,782</u>	<u>94,399</u>	<u>918,056</u>
NET CHANGE IN FUND BALANCE	-	-	(77,499)	-	(77,499)
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (77,499)</u>	<u>\$ -</u>	<u>\$ (77,499)</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
PROFESSIONAL DEVELOPMENT ALLIANCE FUND ACCOUNT
ROE/ISC OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 191,044	\$ 191,044	\$ 191,044
Total Revenue	<u>191,044</u>	<u>191,044</u>	<u>191,044</u>
EXPENDITURES			
Salaries and benefits	123,800	123,800	113,024
Pension expense	-	-	6,575
Purchased services	67,244	67,244	71,445
Total Expenditures	<u>191,044</u>	<u>191,044</u>	<u>191,044</u>
NET CHANGE IN FUND BALANCE (DEFICIT)			
	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING			
	-	-	-
FUND BALANCE (DEFICIT) - ENDING			
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
PROFESSIONAL DEVELOPMENT ALLIANCE FUND ACCOUNT
TECHNOLOGY FOR SUCCESS
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 59,831	\$ 59,831	\$ 59,831
Total Revenue	<u>59,831</u>	<u>59,831</u>	<u>59,831</u>
EXPENDITURES			
Salaries and benefits	53,174	53,174	50,425
Pension expense	-	-	3,195
Purchased services	6,657	6,657	6,211
Total Expenditures	<u>59,831</u>	<u>59,831</u>	<u>59,831</u>
NET CHANGE IN FUND BALANCE (DEFICIT)			
	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING			
	-	-	-
FUND BALANCE (DEFICIT) - ENDING			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
PROFESSIONAL DEVELOPMENT ALLIANCE FUND ACCOUNT
TITLE I - SCHOOL IMPROVEMENT AND ACCOUNTABILITY
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 637,712	\$ 834,374	\$ 495,283
Total Revenue	<u>637,712</u>	<u>834,374</u>	<u>495,283</u>
EXPENDITURES			
Salaries and benefits	258,373	357,861	222,309
Pension expense	-	-	1,663
Purchased services	246,840	261,195	233,483
Supplies and materials	5,719	8,067	3,053
Payments to other governments	126,780	207,251	112,274
Total Expenditures	<u>637,712</u>	<u>834,374</u>	<u>572,782</u>
NET CHANGE IN FUND BALANCE (DEFICIT)			
	-	-	(77,499)
FUND BALANCE (DEFICIT) - BEGINNING			
	-	-	-
FUND BALANCE (DEFICIT) - ENDING			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (77,499)</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
PROFESSIONAL DEVELOPMENT ALLIANCE FUND ACCOUNT
GRUNDY/KENDALL COUNTY ROE/ISC OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 94,399	\$ 94,399	\$ 94,399
Total Revenue	<u>94,399</u>	<u>94,399</u>	<u>94,399</u>
EXPENDITURES			
Salaries and benefits	69,082	69,082	66,914
Pension expense	-	-	4,066
Purchased services	25,317	25,317	23,419
Total Expenditures	<u>94,399</u>	<u>94,399</u>	<u>94,399</u>
NET CHANGE IN FUND BALANCE (DEFICIT)			
	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING			
	-	-	-
FUND BALANCE (DEFICIT) - ENDING			
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015

	General Education Development	Bus Driver Training	TOTALS
ASSETS			
Cash and cash equivalents	\$ 121,426	\$ 74,820	\$ 196,246
Accounts receivable	67	-	67
Due from other governments - Local	-	2,808	2,808
Total Assets	\$ 121,493	\$ 77,628	\$ 199,121
LIABILITIES			
Accounts payable	\$ -	\$ 1,402	\$ 1,402
Total Liabilities	-	1,402	1,402
FUND BALANCE			
Restricted	121,493	76,226	197,719
Total Fund Balance	121,493	76,226	197,719
TOTAL LIABILITIES AND FUND BALANCE	\$ 121,493	\$ 77,628	\$ 199,121

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Education Development	Bus Driver Training	TOTALS
REVENUES			
Local sources	\$ 8,549	\$ 18,530	\$ 27,079
State sources	-	3,246	3,246
Total Revenues	<u>8,549</u>	<u>21,776</u>	<u>30,325</u>
EXPENDITURES			
Purchased services	3,791	10,813	14,604
Supplies and materials	62	-	62
Other objects	44	-	44
Total Expenditures	<u>3,897</u>	<u>10,813</u>	<u>14,710</u>
NET CHANGE IN FUND BALANCE	4,652	10,963	15,615
FUND BALANCE - BEGINNING	<u>116,841</u>	<u>65,263</u>	<u>182,104</u>
FUND BALANCE - ENDING	<u>\$ 121,493</u>	<u>\$ 76,226</u>	<u>\$ 197,719</u>

FEDERAL COMPLIANCE

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Pass Through Grantor, Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Project # or Contract #</u>	<u>Expenditures 7/1/14-6/30/15</u>
US Department of Education passed through Illinois State Board of Education			
Title I - Grants to Local Educational Agencies			
Title I - School Improvement and Accountability	84.010A	2015-4331-SS	\$ <u>572,782</u> (M)
Education for Homeless Children and Youth			
McKinney Education for Homeless Children	84.196A	2014-4920-00	14,954
McKinney Education for Homeless Children	84.196A	2015-4920-00	<u>487,242</u>
Total McKinney Education for Homeless Children			<u>502,196</u>
Improving Teacher Quality State Grants			
Title II - Teacher Quality - Leadership Grant	84.367A	2014-4935-02	3,400
Title II - Teacher Quality - Leadership Grant	84.367A	2015-4935-02	<u>22,800</u>
Total Improving Teacher Quality State Grants			<u>26,200</u>
Total Expenditures of Federal Awards			<u>\$ 1,101,178</u>

(M) Program was audited as a major program.

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JUNE 30, 2015

NOTE 1 – REPORTING ENTITY BASIS OF PRESENTATION AND ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Will County Regional Office of Education #56 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented on this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUB-RECIPIENTS

Of the federal expenditures presented in the schedule, Will County Regional Office of Education #56 provided federal awards to sub-recipients as follows:

<u>Program Title</u>	<u>Federal CFDA #</u>	<u>Amount provided to subrecipients</u>
Title I - School Improvement and Accountability	84.010A	\$ 112,274
McKinney Education for Homeless Children	84.196A	333,192

NOTE 3 – DESCRIPTION OF MAJOR FEDERAL PROGRAM

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

NOTE 4 – NON-CASH ASSISTANCE

None

NOTE 5 – AMOUNT OF INSURANCE

None

NOTE 6 – LOANS OR LOAN GUARANTEES OUTSTANDING

None