

State of Illinois
Boone/Winnebago Counties
Regional Office of Education No. 4

Financial Audit
(In Accordance with the Uniform Guidance)
For the year ended June 30, 2018

Performed as Special Assistance Auditors for the
Office of the Auditor General State of Illinois



Boone/Winnebago Counties Regional Office of Education No. 4
Table of Contents
June 30, 2018

	PAGE
Officials.....	1
Compliance Report Summary.....	2
Financial Statement Report Summary.....	4
 FINANCIAL SECTION	
Independent Auditors’ Report.....	5
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
Independent Auditors’ Report on Compliance for Each Major Federal Program And Report on Internal Control over Compliance Required by the Uniform Guidance....	10
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS	
Section I – Summary of Auditors’ Results.....	13
Section II – Financial Statement Findings.....	14a-14h
Section III – Federal Award Findings.....	15a-15f
Corrective Action Plan for Current Year Audit Findings.....	16a-16g
Summary Schedule of Prior Audit Findings Not Repeated.....	17
 BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	EXHIBIT
Statement of Net Position.....	A 18
Statement of Activities.....	B 19
 Fund Financial Statements	
Governmental Funds - Balance Sheet.....	C 20
Governmental Funds - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	D 21
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances.....	E 22
Governmental Funds - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	F 23
Proprietary Funds - Statement of Net Position.....	G 24
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Net Position.....	H 25
Proprietary Funds - Statement of Cash Flows.....	I 26
Fiduciary Funds - Statement of Fiduciary Net Position.....	J 27
Notes to the Financial Statements.....	28

Boone/Winnebago Counties Regional Office of Education No. 4
Table of Contents (Continued)
June 30, 2018

	PAGE
REQUIRED SUPPLEMENTARY INFORMATION	
Illinois Municipal Retirement Fund - Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios	77
Illinois Municipal Retirement Fund - Schedule of Employer Contributions	78
Teachers' Retirement System of the State of Illinois - Schedule of Employer's Proportionate Share of the Net Pension Liability	79
Teachers' Retirement System of the State of Illinois - Schedule of Employer Contributions	79
Teachers' Health Insurance Security Fund - Schedule of the Employer's Proportionate Share of the Collective Net OPEB Liability	80
Schedule of the Employer Contributions	80
Health Insurance Plan Schedule of Changes in the Total OPEB Liability and Related Ratios	81
OTHER SUPPLEMENTARY INFORMATION	
General Fund:	SCHEDULE
Combining Schedule of Accounts	1 82
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	2 84
Special Revenue Funds:	
Education Fund	
Combining Schedule of Accounts	3 86
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	4 89
Budgetary Comparison Schedules	5 92
Nonmajor Special Revenue Funds	
Combining Balance Sheet	6 95
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	7 96
Fiduciary Funds:	
Agency Funds - Combining Statement of Fiduciary Net Position	8 97
Agency Funds - Combining Statement of Changes in Assets and Liabilities	9 98
Boone County School Facility Occupation Tax - Schedule of Disbursements to School District Treasurers and Other Entities	10 99
Schedule of Expenditures of Federal Awards	100
Notes to the Schedule of Expenditures of Federal Awards	101

Boone/Winnebago Counties Regional Office of Education No. 4
Officials
June 30, 2018

Regional Superintendent
(Current effective July 1, 2019)

Honorable Scott Bloomquist

Regional Superintendent
(July 1, 2017 - June 30, 2019)

Dr. Lori Fanello

Assistant Regional Superintendent
(Current effective July 1, 2019)

Mrs. Allison Pierson

Assistant Regional Superintendent
(July 1, 2017 - June 30, 2019)

Mr. Scott Bloomquist

Office is located at:

300 Heart Blvd.
Loves Park, IL 61111-7516

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

FOR THE YEAR ENDED JUNE 30, 2018

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.

Auditor's Reports

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

Summary of Audit Findings

Number of	This Audit	Prior Audit
Audit findings	7	8
Repeated audit findings	6	4
Prior recommendations implemented or not repeated	2	1

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

Summary of Findings and Questioned Costs

Item No.	Page	Description	Finding Type
<i>Findings (Government Auditing Standards)</i>			
2018-001	14a	Delay of Audit	Noncompliance
2018-002	14c	Controls Over Fund Accounting	Significant Deficiency
2018-003	14d	Failure to Fully Insure and Collateralize Cash Balances	Significant Deficiency
2018-004	14e	Inadequate Internal Controls Over Pay-rate Authorizations	Material Weakness
2018-005	14g	Controls Over Financial Statement Preparation	Material Weakness
<i>Findings and Questioned Costs (Federal Compliance)</i>			
2018-004	15a	Inadequate Internal Controls Over Pay-rate Authorizations	Material Weakness
2018-006	15b	Subrecipient Monitoring Documentation	Material Weakness/ Noncompliance
2018-007	15e	Salaries and Benefits Not Supported by Proper Documentation	Material Weakness/ Noncompliance

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4
FOR THE YEAR ENDED JUNE 30, 2018

Compliance Report – Summary (Concluded)

		<i>Prior Findings Not Repeated (Government Auditing Standards)</i>	
2017-003	17	Controls Over Timely Expenditure Report Submission	Significant Deficiency Noncompliance
2017-005	17	Noncompliance With Grant Requirements	Noncompliance
		<i>Prior Findings Not Repeated (Federal Compliance)</i>	
2017-003	17	Controls Over Timely Expenditure Report Submission	Significant Deficiency Noncompliance

Exit Conference

The Boone Winnebago Counties Regional Office of Education #4 opted not to have a formal exit conference during the financial audit for the year ended June 30, 2018. Throughout the audit, numerous meetings were held between auditors and Regional Office of Education officials to discuss matters contained in this audit report. Responses to the recommendations were provided by Scott Bloomquist, on October 5, 2022.

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

FOR THE YEAR ENDED JUNE 30, 2018

Financial Statement Report - Summary

The audit of the accompanying basic financial statements of Boone Winnebago Counties Regional Office of Education #4 was performed by Wipfli LLP.

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

Independent Auditors' Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boone Winnebago Counties Regional Office of Education #4, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Boone Winnebago Counties Regional Office of Education #4's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Boone Winnebago Counties Regional Office of Education #4, as of June 30, 2018, 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 Note 13 in the notes to the financial statement, the Boone Winnebago Counties Regional Office of Education #4 adopted GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than 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 Illinois Municipal Retirement Fund Schedule of Changes in the Net Pension Liability (Asset) and 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, Teachers' Health Insurance Security Fund Schedule of the Employer's Proportionate Share of the Collective Net OPEB Liability, Teachers' Health Insurance Security Fund Schedule of Employer Contributions, and OPEB Health Insurance Plan Schedule of Changes in the Total OPEB Liability and Related Ratios on pages 77 through 81 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boone Winnebago Counties Regional Office of Education #4's basic financial statements as a whole. The combining schedules of accounts, the budgetary comparison schedules, combining fund financial statements, the Schedule of Disbursements to School District Treasurers and Other Entities and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2023 on our consideration of the Boone Winnebago Counties Regional Office of Education #4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Boone Winnebago Counties Regional Office of Education #4's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boone Winnebago Counties Regional Office of Education #4's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Sterling, Illinois
June 6, 2023

**Independent Auditors' Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boone Winnebago Counties Regional Office of Education #4, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Boone Winnebago Counties Regional Office of Education #4's basic financial statements, and have issued our report thereon dated June 6, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Boone Winnebago Counties Regional Office of Education #4's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boone Winnebago Counties Regional Office of Education #4's internal control. Accordingly, we do not express an opinion on the effectiveness of Boone Winnebago Counties Regional Office of Education #4's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2018-004 and 2018-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2018-002 and 2018-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Boone Winnebago Counties Regional Office of Education #4's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001.

Boone Winnebago Counties Regional Office of Education #4's Responses to Findings

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

Purpose of this Report

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

SIGNED ORIGINAL ON FILE

Sterling, Illinois
June 6, 2023

Independent Auditors' Report on Compliance for Each Major Federal Program And Report on Internal Control Over Compliance Required by the Uniform Guidance

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on Compliance for Each Major Federal Program

We have audited the Boone Winnebago Counties Regional Office of Education #4's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Boone Winnebago Counties Regional Office of Education #4's major federal programs for the year ended June 30, 2018. The Boone Winnebago Counties Regional Office of Education #4'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 for Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Boone Winnebago Counties Regional Office of Education #4's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Boone Winnebago Counties Regional Office of Education #4's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Boone Winnebago Counties Regional Office of Education #4's compliance.

Opinion on Each Major Federal Program

In our opinion, the Boone Winnebago Counties Regional Office of Education #4 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-006 and 2018-007. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of Boone Winnebago Counties Regional Office of Education #4 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Boone Winnebago Counties Regional Office of Education #4's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Boone Winnebago Counties Regional Office of Education #4's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph 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 have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2018-004, 2018-006, and 2018-007, that we consider to be material weaknesses.

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

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

SIGNED ORIGINAL ON FILE

Sterling, Illinois
June 6, 2023

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section I - Summary of Auditor's Results

Financial Statements in accordance with GAAP

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal Control over major federal programs:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010A</u>	<u>System of Support Title I - School Improvement & Accountability</u>

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

Auditee qualified as low-risk auditee? yes X no

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

**Finding No. 2018-001 – Delay of Audit
(Repeated from Finding 17-001, 16-001)**

Criteria/Specific Requirement:

Regional Office of Education #4 (ROE) is subject to 105 ILCS 5/2-3.17a which requires the Auditor General’s office to cause an audit to be made, as of June 30th of each year, of the financial statements of all accounts, funds and other moneys in the care, custody or control of the regional superintendent of schools of each educational service region in the State and of each educational service center established in the School Code. The audit is to be conducted in accordance with Generally Accepted Government Auditing Standards. The Regional Office of Education or Educational Service Center may utilize a cash basis, modified cash basis or generally accepted accounting principles (GAAP) basis of accounting to prepare financial statements for audit.

In accordance with 105 ILCS 5/2-3.17a, the Auditor General has promulgated administrative rules and regulations to govern this process. Those rules, 74 Ill. Adm. Code 420.320 (c) (2), state that for audit purposes, each regional office of education and educational service center shall make available to the Auditor General or his designee all books and records deemed necessary to make and complete the required audits. The records shall be in auditable form by August 15 of the succeeding fiscal year. Financial reports are to be available no later than August 31 in order for the annual audit to be completed by an independent auditor selected by the Auditor General.

In addition, prudent business practices and transparency require timely preparation and completion of financial statements.

Condition:

The Regional Office of Education #4 did not provide completed financial statements in an auditable form by the August 31, 2018 deadline.

Effect:

When financial statements and records are not provided in a timely manner, delays in the audit occur and the usefulness of the financial statements and related findings resulting from the audit is impacted. Additionally, untimely financial statements could result in repercussions from granting agencies including a loss of funding.

Cause:

Regional Office of Education #4’s management indicated internal personnel issues and software program changes caused the office to experience difficulty in providing information by the required timeline.

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

**Finding No. 2018-001 – Delay of Audit (Concluded)
(Repeated from Finding 17-001, 16-001)**

Auditor’s Recommendation:

The Regional Office of Education #4 should implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and 74 Ill. Adm. Code 420.320 (c) (2). Additionally, Regional Office of Education management should determine if changing to the cash basis or modified cash basis would be allowable and beneficial to the Regional Office of Education #4 and the users of its financial statements. These financial statements need to be presented to the Auditor General’s independent auditors for audit by the August 31 deadline.

Management’s Response:

The Regional Office of Education #4 hired a Certified Public Accounting firm to prepare all financial statements for the audit.

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

Finding No. 2018-002— Controls Over Fund Accounting (Repeated from 17-002, Partially Repeated from Finding 16-002)

Criteria/Specific Requirement:

Boone and Winnebago Counties Regional Office of Education #4 is required by the Illinois State Board of Education to maintain its accounting system in accordance with the Regional Office of Education Accounting Manual (Manual). The Manual requires the Regional Office of Education #4 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. In addition, the Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system to prevent errors and irregularities.

Condition:

The Regional Office of Education #4 did not have adequate controls and monitoring over the maintenance of complete and accurate records of employee benefits. A Teachers' Retirement System (TRS) audit for the year of July 1, 2014 – June 30, 2015 disclosed TRS members had net excess TRS withholdings of \$8,972. The Regional Office of Education #4 determined gross TRS withholdings due to individual members as of June 30, 2016 was \$13,190. The Regional Office received the excess contributions from the State of Illinois on November 3, 2015. Current employees and non-current employees were reimbursed by May 2021. Additionally, costs incurred from employee underpayments were absorbed by the Regional Office.

Effect:

The Regional Office of Education #4's management or employees, in the normal course of performing their assigned functions, did not prevent or detect financial statement misstatements in a timely manner.

Cause:

Regional Office of Education #4's management indicated due to internal personnel issues and software program changes, the office experienced difficulty in performing their required duties.

Auditor's Recommendation:

The Regional Office of Education #4 should assign a member of management with suitable skills, knowledge, and experience to review the accuracy of payroll calculations each pay period. Additionally, supporting payroll schedules and trial balance reports need to be monitored for completeness and accuracy at regular intervals throughout the year.

Management's Response:

The Regional Office of Education #4 hired a Certified Public Accounting firm to prepare all financial statements for the audit.

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

Finding No. 2018-003— Failure to Fully Insure and Collateralize Cash Balances

Criteria/Specific Requirement:

The Public Funds Deposit Act (30 ILCS 225/1) gives the Boone Winnebago Counties Regional Office of Education #4 (ROE) the authorization to request financial institutions to pledge collateral for deposits in excess of the federally insured limit. In addition, prudent business practice requires that all cash and investments held by financial institutions for the ROE be adequately covered by depository insurance or collateral.

Condition:

As of June 30, 2018, the ROE had sixteen cash and investment accounts with bank balances totaling \$4,805,634 at one financial institution. The Federal Deposit Insurance Corporation (FDIC) covers up to a maximum of \$250,000. The financial institution pledged collateral with a value of \$4,175,994. The ROE did not have depository insurance or collateral for the remaining \$129,640.

Effect:

Failure to fully insure and collateralize the full amount of cash and investment balances may result in monetary losses to the ROE in the event of a bank failure.

Cause:

ROE officials indicated that it is unknown why the collateral agreement that is in place was not enough to cover the cash balances as of June 30, 2018. Cash balances are significantly higher than the previous year and the monitoring of the collateral balance was an inadvertent oversight.

Auditor’s Recommendation:

The Boone Winnebago Counties Regional Office of Education #4 should monitor the bank balances on all accounts and work with the financial institution to either provide adequate collateral or move to an insured cash sweep account to ensure adequate coverage.

Management’s Response

The Boone Winnebago Counties Regional Office of Education #4 plans to keep in contact with the financial institution regarding the amount of collateralization and pledged securities. Management has contacted the financial institution and the current balances are fully insured and collateralized.

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

**Finding No. 2018-004 – Inadequate Internal Controls Over Pay-rate Authorizations
(Partially repeated from 17-004)**

**Federal Program Name: System of Support – Title I - School Improvement and
Accountability**

Project No.: 2018-4331-SS

CFDA No.: 84.010A

Passed Through: Illinois State Board of Education

Federal Agency: US Department of Education

Criteria/Specific Requirement:

The Regional Office of Education (ROE) Accounting Manual general policies concerning payroll procedures state that a master record should be maintained on each employee or contractor for federal and State reporting purposes. The master payroll record should contain at least the following: employee name, social security number, address, date of hire, and rate and terms of contract/agreement. Any employee compensation adjustments should be documented and maintained in employee personnel files. In addition, sound business practices dictate the Regional Office is responsible for establishing and maintaining an internal control system over the payroll process in order to prevent errors and/or fraud. This internal control system should also be completely documented within the ROE's financial reporting system policy manual.

Condition:

During the course of the audit, auditors noted the following control issues:

- 2 of the 13 (15%) employment agreements tested were not retained in Regional Office personnel files.
- In 2 of 25 (8%) timesheets tested, the timesheet was not retained and able to be provided to support the hours paid to the respective employees.
- Payroll processes documented in the ROE's financial reporting system policy manual did not include processes for obtaining and retaining employment agreements and timesheets.

Questioned Costs:

Undeterminable

Context:

Total salaries for the Regional Office for fiscal year 2018 were \$135,352 for Title I – School Improvement and Accountability.

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

**Finding No. 2018-004 – Inadequate Internal Controls Over Pay-rate Authorizations
(Partially repeated from 17-004)
(Concluded)**

Effect:

Lack of sufficient internal controls over the pay-rate 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:

Regional Office of Education #4's management indicated an Administrative Assistant maintained separate files, records, and storage and did not maintain two personnel files with this pertinent information and did not retain two timesheets. No written policy existed outlining the process to obtain employment agreements and timesheets.

Auditor's Recommendation:

We recommend the Regional Office complete and maintain employment agreements and timesheets. We also recommend the Regional Office update the written payroll policy procedures to include obtaining and maintaining the employment agreement documentation and employee timesheets.

Management's Response:

All employee agreements will be kept in one location within employee file in the Human Resources department. Policies will be updated to include procedures to obtain and retain employment agreements. Payroll documents including the signed timesheets will be retained in a central location.

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

Finding No. 2018-005— Controls Over Financial Statement Preparation (Repeated from 17-006)

Criteria/Specific Requirement:

105 ILCS 5/2-3.17a allows a Regional Office of Education or Educational Service Center to utilize a cash basis, modified cash basis, or generally accepted accounting principles (GAAP) basis of accounting to prepare the financial statements for the audit. The Boone Winnebago Counties Regional Office of Education #4 has chosen to utilize GAAP basis of accounting for financial statement reporting.

Regional Office of Education #4 is required to maintain a system of controls over the preparation of financial statements. Regional Office internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements 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 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 net position of governmental activities in the Statement of Activities. In addition, the Statement requires information about the government’s major and nonmajor funds in the aggregate, to be provided in the fund financial statements.

Condition:

The Regional Office of Education does not have sufficient internal controls over the financial statement reporting process. The Regional Office of Education #4 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 Regional Office of Education #4 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

During the review of the financial information prepared by the Regional Office, the following were noted:

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

**Finding No. 2018-005 – Controls Over Financial Statement Preparation (Concluded)
(Repeated from 17-006)**

Condition (Concluded):

- The Regional Office did not have adequate controls over the financial statement presentation among program revenue and expense categories. The initial financial statement provided required a reclassification of \$960,083 from local source revenue to State source revenue. The expense classification also required adjustment. Program expenses of \$261,010 of salaries and benefits and \$1,641 of miscellaneous were reallocated to \$131,084 of purchased services, \$128,961 of supplies and materials, and \$2,606 of capital expenditures.
- The Regional Office did not have adequate controls over the recognition of capital assets. The Regional Office did maintain a list of capital assets, however, the Regional Office did not initially provide all entries to accurately recognize these items within the financial statements.

Effect:

The Regional Office 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:

Regional Office of Education #4's management indicated this was an oversight.

Auditor's Recommendation:

As part of internal control over the preparation of financial statements, the Regional Office should implement comprehensive preparation procedures to ensure the financial statements are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education #4's activities and operations.

Additionally, ROE management should determine if changing from the GAAP basis to the cash or modified cash basis of accounting would be allowable or beneficial to the ROE and users of the ROE statements.

Management's Response:

The Regional Office of Education #4 will establish procedures to ensure that financial statements be carefully reviewed for proper accounting and reporting in accordance with generally accepted accounting principles (GAAP).

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Section III – Federal Award Findings

Instances of Noncompliance:

None

Significant Deficiencies:

None

Material Weaknesses:

Finding No. 2018-004 – Inadequate Internal Controls over Pay-rate Authorizations
(Finding details on pages 14e – 14f)

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Section III – Federal Award Findings

Finding No. 2018-006— Subrecipient Monitoring Documentation (Repeated from Finding 17-007, 16-005)

**Federal Program Name: System of Support – Title I - School Improvement and
Accountability**

Project No.: 2018-4331-SS

CFDA No.: 84.010A

Passed Through: Illinois State Board of Education

Federal Agency: US Department of Education

Criteria/Specific Requirement:

For fiscal year 2016, the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), contained in 2 CFR Part 200, became effective for all federal award programs administered by the Boone/Winnebago Counties Regional Office of Education #4 (the Regional Office) that were issued on or after December 26, 2014. The Uniform Guidance (2 CFR 200.415(a)) requires the Regional Office to provide a specific certification to funding agencies on all annual and final fiscal reports or vouchers requesting payment, and conversely, requires the Regional Office to obtain such certification from its subrecipients.

The Uniform Guidance (2 CFR 200.332(a)) requires certain information be communicated to the recipients of the subaward, including the CFDA Number and Name.

The Uniform Guidance (2 CFR 200.332(b)) requires the Regional Office to evaluate each subrecipients risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Condition:

During our audit, the Regional Office was providing the required certification to the Illinois State Board of Education, the funding agency for the Title I School Improvement and Accountability Grant. However, the certifications were not obtained by the ROE from its subrecipients of this program.

Also, during our audit, the Regional Office was not providing all grant information required to the subrecipient. The required communication letter informing the subrecipients of their grant award did not include the CFDA number.

We also noted that although a Regional Office employee maintains an informal process for monitoring subrecipients of its Title I School Improvement and Accountability program, there are no formal documented procedures for monitoring subrecipients, including formal documentation of an assessed level of risk of noncompliance for each subrecipient as required by the Uniform Guidance.

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Section III – Federal Award Findings

Finding No. 2018-006 – Subrecipient Monitoring Documentation (Continued) (Repeated from Finding 17-007, 16-005)

Questioned Costs:

None

Context:

The Regional Office passed through \$379,327 of federal funding to eight different subrecipients of the Title I School Improvement and Accountability program.

Effect:

By not communicating the Grant CFDA number to subrecipients, the subrecipients did not have the proper information to properly report the Grant revenue. By not obtaining the required certification from subrecipients, and not performing a formal documented risk assessment of the subrecipients, the risk of expenditures being improper and not in accordance with the terms and conditions of the Federal award and approved budgets is increased.

Cause:

Regional Office of Education #4's management indicated they were not aware of the Uniform Guidance (2 CFR 200.415(a)) requiring the Regional Office to provide a specific certification to funding agencies on all annual and final fiscal reports or vouchers requesting payment, and conversely, requires the Regional Office to obtain such certification from its subrecipients.

Regional Office of Education #4's management indicated they were not aware of the Uniform Guidance (2 CFR 200.332(a)) requiring certain information be communicated to the recipients of the subaward, including the CFDA Number and Name. The Director of the program verbally communicated the information at a joint meeting and failed to send appropriate documentation to the subrecipients.

Regional Office of Education #4's management indicated they were not aware of the Uniform Guidance (2 CFR 200.332(b)) requiring the Regional Office to evaluate each subrecipients risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Auditor's Recommendation:

We recommend the Regional Office create a standard form of communication ensuring that all required elements to be addressed with each individual subrecipient are included. We also recommend the Regional Office develop policies and procedures to ensure all annual and final fiscal reports or vouchers requesting payment received from subrecipients of federal awards include the certification required by 2 CFR 200.415(a). In addition, we also recommend the ROE formalizes, in writing, its subrecipient monitoring procedures, which would include a formal risk assessment of each subrecipient, as required and described in 2 CFR 200.332(b).

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Section III – Federal Award Findings

**Finding No. 2018-006 – Subrecipient Monitoring Documentation (Concluded)
(Repeated from Finding 17-007, 16-005)**

Management's Response:

If the Regional Office of Education #4 becomes fiscal agent for programs with subrecipients we will create a standard form of communication to ensure all required elements are addressed. Furthermore, we will obtain, in writing, confirmation of said communication as required. Internal policies and procedures will be developed for reporting and voucher requests. Current staff will receive training and guidance in compliance with items 2 CFR Part 200, 2 CFR 200.415(a), 2 CFR 200.332(a), and 2 CFR 200.332(b) for future grants. The ROE will formalize, in writing, our subrecipient monitoring procedures, which would include a formal risk assessment of each subrecipient, as required and described in 2 CFR 200.332(b). The auditor's recommendations will be followed.

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Section III – Federal Award Findings

**Finding No. 2018-007— Salaries and Benefits Not Supported by Proper Documentation
(Repeated from Finding 17-008)**

**Federal Program Name: System of Support – Title I - School Improvement and
Accountability**

Project No.: 2018-4331-SS

CFDA No.: 84.010A

Passed Through: Illinois State Board of Education

Federal Agency: US Department of Education

Criteria/Specific Requirement:

Employees of the Boone and Winnebago Counties Regional Office #4 (the Regional Office) are required to document their time and effort working on federal programs. Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires charges for salaries and benefits to be supported by a system of internal controls which provides reasonable assurance that charges are accurate, allowable, and properly allocated. Documentation records should reasonably reflect the total activity for which the employee is compensated, not exceeding 100% of compensated activities, and should encompass both federally assisted and non-federally assisted activities. It further states that budget estimates alone do not qualify as support for salary and benefit charges to a federal award. Significant changes in the corresponding work activity should be identified and entered into the accounting records in a timely manner. All necessary adjustments must be made such that the final amount charged to the federal award is accurate, allowable, and properly allocated.

Condition:

The Regional Office assigned a total of \$34,022 salary and benefit costs for four employees to the Title I grant based on a one-month time study. Personnel activity reports or other comparisons of actual payroll costs, based on time and effort records to the initial time study were not performed and adjustments for actual time spent on the grants, if differences were present, were not made. These four employees did submit bi-weekly timesheets based on the one-month salary schedule but actual time tracking did not occur to support the amount of salaries and benefits charged to Title I expense accounts.

Questioned Costs:

Undeterminable

Context:

Salary and benefits charged to the Title I grant during fiscal year 2018 totaled \$180,551.

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Section III – Federal Award Findings

**Finding No. 2018-007— Salaries and Benefits Not Supported by Proper Documentation
(Repeated from Finding 17-008)
(Concluded)**

Effect:

Since actual time and effort was not tracked for the entire year to allocate salary and benefit costs of certain employees or used to adjust the time allocation based on the one month time study, there is an increased risk that the salary and benefit costs charged to the Title I program do not reflect the actual time worked on the programs.

Cause:

Regional Office of Education #4's management indicated the only time study done was to get an average time spent on the grant for the first month and then an allocation was given for the year, but the grant manager did not require employees to record their actual time spent on the grants on a daily basis so that it could be used to compare on a quarterly basis to make any necessary adjustments.

Auditor's Recommendation:

Regional Office should implement a system of internal controls over time and effort reporting for all employees paid with restricted grant funds. The Regional Office should track actual time charged to restricted grant revenue and perform periodic comparisons to time studies to determine if adjustments are necessary.

Management's Response:

Regional Office of Education will implement a system of internal controls over time and effort to ensure accurate allocations are charged to restricted grant funds.

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2018

**Finding No. 2018-001 – Delay of Audit
(Repeated from Finding 17-001, 16-001)**

Condition:

The Regional Office of Education #4 did not provide completed financial statements in an auditable form by the August 31, 2018 deadline.

Plan:

The Regional Office of Education #4 hired a Certified Public Accounting firm to prepare all financial statements for the audit.

Anticipated Date of Completion:

August 31, 2023

Contact Person:

Honorable Scott Bloomquist, Regional Superintendent of Schools

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2018

**Finding No. 2018-002— Controls Over Fund Accounting
(Repeated from 17-002, Partially Repeated from Finding 16-002)**

Condition:

The Regional Office of Education #4 did not have adequate controls and monitoring over the maintenance of complete and accurate records of employee benefits. A Teachers' Retirement System (TRS) audit for the year of July 1, 2014 – June 30, 2015 disclosed TRS members had net excess TRS withholdings of \$8,972. The Regional Office of Education #4 determined gross TRS withholdings due to individual members as of June 30, 2016 was \$13,190. The Regional Office received the excess contributions from the State of Illinois on November 3, 2015. Current employees and non-current employees were reimbursed by May 2021. Additionally, costs incurred from employee underpayments were absorbed by the Regional Office.

Plan:

The Regional Office of Education #4 hired a Certified Public Accounting firm to prepare all financial statements for the audit.

Anticipated Date of Completion:

May 2021

Contact Person:

Honorable Scott Bloomquist, Regional Superintendent of Schools

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2018

Finding No. 2018-003— Failure to Fully Insure and Collateralize Cash Balances

Condition:

As of June 30, 2018, the ROE had sixteen cash and investment accounts with bank balances totaling \$4,805,634 at one financial institution. The Federal Deposit Insurance Corporation (FDIC) covers up to a maximum of \$250,000. The financial institution pledged collateral with a value of \$4,175,994. The ROE did not have depository insurance or collateral for the remaining \$129,640.

Plan:

The Boone Winnebago Counties Regional Office of Education #4 plans to keep in contact with the financial institution regarding the amount of collateralization and pledged securities. Management has contacted the financial institution and the current balances are fully insured and collateralized.

Anticipated Date of Completion:

August 2022

Contact Person:

Honorable Scott Bloomquist, Regional Superintendent of Schools

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2018

**Finding No. 2018-004 – Inadequate Internal Controls Over Pay-rate Authorizations
(Partially repeated from 17-004)**

**Federal Program Name: System of Support – Title I - School Improvement and
Accountability**

Project No.: 2018-4331-SS

CFDA No.: 84.010A

Passed Through: Illinois State Board of Education

Federal Agency: US Department of Education

Condition:

During the course of the audit, auditors noted the following control issues:

- 2 of the 13 (15%) employment agreements tested were not retained in Regional Office personnel files.
- In 2 of 25 (8%) timesheets tested, the timesheet was not retained and able to be provided to support the hours paid to the respective employees.
- Payroll processes documented in the ROE's financial reporting system policy manual did not include processes for obtaining and retaining employment agreements and timesheets.

Plan:

All employee agreements will be kept in one location within employee file in the Human Resources department. Policies will be updated to include procedures to obtain and retain employment agreements. Payroll documents including the signed timesheets will be retained in a central location.

Anticipated Date of Completion

Immediately upon learning of oversight

Contact Person:

Honorable Scott Bloomquist, Regional Superintendent of Schools

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2018

Finding No. 2018-005— Controls Over Financial Statement Preparation (Repeated from Finding 17-006)

Condition:

The Regional Office of Education does not have sufficient internal controls over the financial statement reporting process. The Regional Office of Education #4 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 Regional Office of Education #4 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

During the review of the financial information prepared by the Regional Office, the following were noted:

- The Regional Office did not have adequate controls over the financial statement presentation among program revenue and expense categories. The initial financial statement provided required a reclassification of \$960,083 from local source revenue to State source revenue. The expense classification also required adjustment. Program expenses of \$261,010 of salaries and benefits and \$1,641 of miscellaneous were reallocated to \$131,084 of purchased services, \$128,961 of supplies and materials, and \$2,606 of capital expenditures.
- The Regional Office did not have adequate controls over the recognition of capital assets. The Regional Office did maintain a list of capital assets, however, the Regional Office did not initially provide all entries to accurately recognize these items within the financial statements.

Plan:

The Regional Office of Education #4 will establish procedures to ensure that financial statements be carefully reviewed for proper accounting and reporting in accordance with generally accepted accounting principles (GAAP).

Anticipated Date of Completion:

July 1, 2022

Contact Person:

Honorable Scott Bloomquist, Regional Superintendent of Schools

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2018

**Finding No. 2018-006— Subrecipient Monitoring Documentation
(Repeated from Finding 17-007, 16-005)**

**Federal Program Name: System of Support – Title I - School Improvement and
Accountability**

Project No.: 2018-4331-SS

CFDA No.: 84.010A

Passed Through: Illinois State Board of Education

Federal Agency: US Department of Education

Condition:

During our audit, the Regional Office was providing the required certification to the Illinois State Board of Education, the funding agency for the Title I School Improvement and Accountability Grant. However, the certifications were not obtained by the ROE from its subrecipients of this program.

Also, during our audit, the Regional Office was not providing all grant information required to the subrecipient. The required communication letter informing the subrecipients of their grant award did not include the CFDA number.

We also noted that although a Regional Office employee maintains an informal process for monitoring subrecipients of its Title I School Improvement and Accountability program, there are no formal documented procedures for monitoring subrecipients, including formal documentation of an assessed level of risk of noncompliance for each subrecipient as required by the Uniform Guidance.

Plan:

If the Regional Office of Education #4 becomes fiscal agent for programs with subrecipients we will create a standard form of communication to ensure all required elements are addressed. Furthermore, we will obtain, in writing, confirmation of said communication as required. Internal policies and procedures will be developed for reporting and voucher requests. Current staff will receive training and guidance in compliance with items 2 CFR Part 200, 2 CFR 200.415(a), 2 CFR 200.332(a), and 2 CFR 200.332(b) for future grants. The ROE will formalize, in writing, our subrecipient monitoring procedures, which would include a formal risk assessment of each subrecipient, as required and described in 2 CFR 200.332(b). The auditor's recommendations will be followed.

Anticipated Date of Completion:

Immediately upon learning of oversight.

Contact Person:

Honorable Scott Bloomquist, Regional Superintendent of Schools

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2018

**Finding No. 2018-007— Salaries and Benefits Not Supported by Proper Documentation
(Repeated from Finding 17-008)**

**Federal Program Name: System of Support – Title I - School Improvement and
Accountability**

Project No.: 2018-4331-SS

CFDA No.: 84.010A

Passed Through: Illinois State Board of Education

Federal Agency: US Department of Education

Condition:

The Regional Office assigned a total of \$34,022 salary and benefit costs for four employees to the Title I grant based on a one-month time study. Personnel activity reports or other comparisons of actual payroll costs, based on time and effort records to the initial time study were not performed and adjustments for actual time spent on the grants, if differences were present, were not made. These four employees did submit bi-weekly timesheets based on the one-month salary schedule but actual time tracking did not occur to support the amount of salaries and benefits charged to Title I expense accounts.

Plan:

Regional Office of Education will implement a system of internal controls over time and effort to ensure accurate allocations are charged to restricted grant funds.

Anticipated Date of Completion:

Immediately upon learning of oversight.

Contact Person:

Honorable Scott Bloomquist, Regional Superintendent of Schools

BOONE WINNEBAGO COUNTIES REGIONAL OFFICE OF EDUCATION #4

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS NOT REPEATED

YEAR ENDED JUNE 30, 2018

2017-003 Controls Over Timely Expenditure Report Submission

During the current audit period, audit testing results indicated the Regional Office implemented corrective action and expenditure reports were submitted timely.

2017-005 Noncompliance With Grant Requirements

During the current audit period, audit testing results indicated the Regional Office implemented corrective action and properly recorded unpaid payments as obligations rather than expended within grant expenditure reports.

BASIC FINANCIAL STATEMENTS

Boone/Winnebago Counties Regional Office of Education No. 4
Statement of Net Position
June 30, 2018
Exhibit A

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,483,485	\$ 1,462,936	\$ 3,946,421
Due from (to) other funds	(240,292)	240,292	-
Due from other governments	660,313	-	660,313
Prepaid expenses	47,110	6,242	53,352
Total current assets	<u>2,950,616</u>	<u>1,709,470</u>	<u>4,660,086</u>
Noncurrent assets:			
Capital assets, net	199,441	1,860	201,301
Net pension asset	276,457	-	276,457
Total noncurrent assets	<u>475,898</u>	<u>1,860</u>	<u>477,758</u>
TOTAL ASSETS	<u>3,426,514</u>	<u>1,711,330</u>	<u>5,137,844</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,251,135	-	1,251,135
Deferred outflows related to OPEB	192,676	-	192,676
Total deferred outflows of resources	<u>1,443,811</u>	<u>-</u>	<u>1,443,811</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	357,249	2,990	360,239
Due to other governments	35,236	-	35,236
Current portion of long-term debt	6,400	-	6,400
Unearned revenue	355,359	-	355,359
Total current liabilities	<u>754,244</u>	<u>2,990</u>	<u>757,234</u>
Noncurrent liabilities:			
Compensated absences	2,373	-	2,373
Net pension liability	2,354,091	-	2,354,091
OPEB liabilities	2,589,334	-	2,589,334
Total noncurrent liabilities	<u>4,945,798</u>	<u>-</u>	<u>4,945,798</u>
TOTAL LIABILITIES	<u>5,700,042</u>	<u>2,990</u>	<u>5,703,032</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	712,755	-	712,755
Deferred inflows related to OPEB	296,873	-	296,873
Total deferred inflows of resources	<u>1,009,628</u>	<u>-</u>	<u>1,009,628</u>
NET POSITION			
Net investment in capital assets	193,041	1,860	194,901
Restricted for educational purposes	882,874	-	882,874
Unrestricted	(2,915,260)	1,706,480	(1,208,780)
TOTAL NET POSITION	<u>\$ (1,839,345)</u>	<u>\$ 1,708,340</u>	<u>\$ (131,005)</u>

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

Boone/Winnebago Counties Regional Office of Education No. 4
Statement of Activities
For the Year Ended June 30, 2018
Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
FUNCTIONS/PROGRAMS						
Primary government						
Governmental activities:						
Instructional services						
Salaries and benefits	\$ 3,291,830	\$ -	\$ 992,524	\$ (2,299,306)	\$ -	\$ (2,299,306)
Pension expense	239,140	-	72,085	(167,055)	-	(167,055)
OPEB expense	208,784	-	62,934	(145,850)	-	(145,850)
Purchased services	598,092	-	180,285	(417,807)	-	(417,807)
Supplies and materials	440,234	-	132,701	(307,533)	-	(307,533)
Miscellaneous	42,208	-	12,723	(29,485)	-	(29,485)
Depreciation	60,920	-	18,363	(42,557)	-	(42,557)
Intergovernmental						
Payments to other governments	447,811	-	134,985	(312,826)	-	(312,826)
Administrative						
On-behalf payments - State	2,172,497	-	-	(2,172,497)	-	(2,172,497)
On-behalf payments - local	386,190	-	-	(386,190)	-	(386,190)
Total governmental activities	<u>7,887,706</u>	<u>-</u>	<u>1,606,600</u>	<u>(6,281,106)</u>	<u>-</u>	<u>(6,281,106)</u>
Business-type activities:						
Professional development	159,665	114,628	-	-	(45,037)	(45,037)
Total business-type activities	<u>159,665</u>	<u>114,628</u>	<u>-</u>	<u>-</u>	<u>(45,037)</u>	<u>(45,037)</u>
Total primary government	<u>\$ 8,047,371</u>	<u>\$ 114,628</u>	<u>\$ 1,606,600</u>	<u>(6,281,106)</u>	<u>(45,037)</u>	<u>(6,326,143)</u>
General revenues:						
Local sources				1,540,728	-	1,540,728
State sources				2,290,795	-	2,290,795
Interest income				5,793	2,590	8,383
On-behalf payments - State				2,172,497	-	2,172,497
On-behalf payments - local				386,190	-	386,190
Total general revenues				<u>6,396,003</u>	<u>2,590</u>	<u>6,398,593</u>
Change in net position				114,897	(42,447)	72,450
Net position - beginning of year, as restated (see Note 13)				<u>(1,954,242)</u>	<u>1,750,787</u>	<u>(203,455)</u>
Net position - end of year				<u>\$ (1,839,345)</u>	<u>\$ 1,708,340</u>	<u>\$ (131,005)</u>

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

Boone/Winnebago Counties Regional Office of Education No. 4
Governmental Funds
Balance Sheet
June 30, 2018
Exhibit C

	General Fund	Education Fund	Nonmajor Special Revenue Funds	Eliminations	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,512,215	\$ 376,953	\$ 594,317	\$ -	\$ 2,483,485
Due from other funds	335,003	10,302	-	(345,305)	-
Due from other governments	93,001	558,850	8,462	-	660,313
Prepaid expenses	35,413	11,697	-	-	47,110
TOTAL ASSETS	<u>1,975,632</u>	<u>957,802</u>	<u>602,779</u>	<u>(345,305)</u>	<u>3,190,908</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)					
LIABILITIES					
Accounts payable and accrued expenses	258,020	97,046	2,183	-	357,249
Due to other funds	86,337	490,435	8,825	(345,305)	240,292
Due to other governments	34,556	680	-	-	35,236
Unearned revenue	364	354,995	-	-	355,359
Total liabilities	<u>379,277</u>	<u>943,156</u>	<u>11,008</u>	<u>(345,305)</u>	<u>988,136</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	21,618	98,190	-	-	119,808
FUND BALANCES (DEFICIT)					
Nonspendable	35,413	11,697	-	-	47,110
Restricted	-	-	591,771	-	591,771
Assigned	1,421,509	-	-	-	1,421,509
Unassigned	117,815	(95,241)	-	-	22,574
Total fund balances (deficit)	<u>1,574,737</u>	<u>(83,544)</u>	<u>591,771</u>	<u>-</u>	<u>2,082,964</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)	<u>\$ 1,975,632</u>	<u>\$ 957,802</u>	<u>\$ 602,779</u>	<u>\$ (345,305)</u>	<u>\$ 3,190,908</u>

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

Boone/Winnebago Counties Regional Office of Education No. 4
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018
Exhibit D

Total fund balances - governmental funds	\$	2,082,964
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		199,441
Some revenues will not be collected for several months after the ROE No. 4 fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.		119,808
Noncurrent assets related to pension benefits are collected but are not payable in the current period and, therefore, are not reported in the governmental funds. Net pension asset - IMRF		276,457
Capital lease payable does not require current financial resources, therefore, capital lease payable is not reported in the governmental funds.		(6,400)
Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources - pensions	\$ 1,251,135	
Deferred outflows of resources - OPEB	192,676	
Deferred inflows of resources - pensions	(712,755)	
Deferred inflows of resources - OPEB	<u>(296,873)</u>	434,183
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences		(2,373)
Net pension liability - TRS		(2,354,091)
OPEB liabilities		<u>(2,589,334)</u>
Net position of governmental activities	\$	<u><u>(1,839,345)</u></u>

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

Boone/Winnebago Counties Regional Office of Education No. 4
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2018
Exhibit E

	General Fund	Education Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
REVENUES				
Federal sources	\$ 134,502	\$ 750,445	\$ -	\$ 884,947
State sources	2,290,795	1,086,401	2,193	3,379,389
Local sources	975,005	342,946	222,777	1,540,728
On-behalf payments - State	277,884	-	-	277,884
On-behalf payments - local	386,190	-	-	386,190
Total revenues	<u>4,064,376</u>	<u>2,179,792</u>	<u>224,970</u>	<u>6,469,138</u>
EXPENDITURES				
Instructional services				
Salaries and benefits	2,335,183	917,483	40,019	3,292,685
Pension expense	41,099	18,378	-	59,477
OPEB expense	15,001	4,091	-	19,092
Purchased services	235,239	345,108	17,745	598,092
Supplies and materials	381,803	48,931	9,500	440,234
Miscellaneous	21,520	-	20,688	42,208
Intergovernmental				
Payments to other governments	-	447,811	-	447,811
On-behalf payments - State	277,884	-	-	277,884
On-behalf payments - local	386,190	-	-	386,190
Capital expenditures	39,423	11,350	-	50,773
Total expenditures	<u>3,733,342</u>	<u>1,793,152</u>	<u>87,952</u>	<u>5,614,446</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>331,034</u>	<u>386,640</u>	<u>137,018</u>	<u>854,692</u>
OTHER FINANCING SOURCES (USES)				
Interest income	5,139	625	29	5,793
Payment of long-term debt	(11,000)	-	-	(11,000)
Total other financing sources (uses)	<u>(5,861)</u>	<u>625</u>	<u>29</u>	<u>(5,207)</u>
NET CHANGE IN FUND BALANCES	325,173	387,265	137,047	849,485
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>1,249,564</u>	<u>(470,809)</u>	<u>454,724</u>	<u>1,233,479</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 1,574,737</u>	<u>\$ (83,544)</u>	<u>\$ 591,771</u>	<u>\$ 2,082,964</u>

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

Boone/Winnebago Counties Regional Office of Education No. 4
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2018
Exhibit F

Net change in fund balances		\$ 849,485
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$ 50,773	
Depreciation expense	<u>(60,920)</u>	(10,147)
Revenues reported in the Statement of Activities in the prior year that did not provide current financial resources and are now reported as revenues in the governmental funds.		
		(486,749)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
		119,808
Certain expenses in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated absences	855	
Pension expense	(141,984)	
OPEB expense	<u>(170,600)</u>	(311,729)
The current year pension and OPEB contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position.		
Pension contributions	(37,679)	
OPEB contributions	<u>(19,092)</u>	(56,771)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction has no effect on net position.		
		<u>11,000</u>
Change in net position of governmental activities		<u>\$ 114,897</u>

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

Boone/Winnebago Counties Regional Office of Education No. 4
Proprietary Funds
Statement of Net Position
June 30, 2018
Exhibit G

	Business-Type Activities - Enterprise Funds		
	Nonmajor Enterprise Fund -		
	Local Workshops	Fingerprinting	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,389,535	\$ 73,401	\$ 1,462,936
Due from other funds	292,347	90	292,437
Prepaid expenses	6,242	-	6,242
Total current assets	1,688,124	73,491	1,761,615
Noncurrent assets:			
Capital assets, net	1,860	-	1,860
TOTAL ASSETS	1,689,984	73,491	1,763,475
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	1,359	1,631	2,990
Due to other funds	52,145	-	52,145
Total current liabilities	53,504	1,631	55,135
NET POSITION			
Net investment in capital assets	1,860	-	1,860
Unrestricted	1,634,620	71,860	1,706,480
TOTAL NET POSITION	\$ 1,636,480	\$ 71,860	\$ 1,708,340

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

Boone/Winnebago Counties Regional Office of Education No. 4
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018
Exhibit H

	Business-Type Activities - Enterprise Funds		
	Local Workshops	Nonmajor Enterprise Fund - Fingerprinting	Total
OPERATING REVENUES			
Charges for services	\$ 87,726	\$ 26,902	\$ 114,628
OPERATING EXPENSES			
Salaries and benefits	20,874	-	20,874
Purchased services	85,256	5,678	90,934
Supplies and materials	44,702	-	44,702
Miscellaneous	-	1,733	1,733
Depreciation	1,422	-	1,422
Total operating expenses	<u>152,254</u>	<u>7,411</u>	<u>159,665</u>
OPERATING INCOME (LOSS)	(64,528)	19,491	(45,037)
NONOPERATING INCOME			
Interest income	<u>2,534</u>	<u>56</u>	<u>2,590</u>
CHANGES IN NET POSITION	(61,994)	19,547	(42,447)
NET POSITION, BEGINNING OF YEAR	<u>1,698,474</u>	<u>52,313</u>	<u>1,750,787</u>
NET POSITION, END OF YEAR	<u>\$ 1,636,480</u>	<u>\$ 71,860</u>	<u>\$ 1,708,340</u>

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

Boone/Winnebago Counties Regional Office of Education No. 4
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2018
Exhibit I

	Business-Type Activities - Enterprise Funds		
	Nonmajor Enterprise Fund -		
	Local Workshops	Fingerprinting	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts for workshops and services	\$ 105,826	\$ 26,902	\$ 132,728
Payments to suppliers and providers of goods and services	(135,381)	(6,277)	(141,658)
Payments to employees	(20,874)	-	(20,874)
Net cash provided by (used in) operating activities	<u>(50,429)</u>	<u>20,625</u>	<u>(29,804)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY:			
Cash transfers from other funds	<u>495,061</u>	<u>(90)</u>	<u>494,971</u>
CASH FLOWS FROM INVESTING ACTIVITY:			
Interest income	<u>2,534</u>	<u>56</u>	<u>2,590</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	447,166	20,591	467,757
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>942,369</u>	<u>52,810</u>	<u>995,179</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,389,535</u>	<u>\$ 73,401</u>	<u>\$ 1,462,936</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (64,528)	\$ 19,491	\$ (45,037)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,422	-	1,422
Effects of changes in assets and liabilities:			
Due from other governments	18,100	-	18,100
Prepaid expenses	(4,495)	-	(4,495)
Accounts payable and accrued expenses	1,060	1,134	2,194
Due to other governments	(1,988)	-	(1,988)
Net cash provided by (used in) operating activities	<u>\$ (50,429)</u>	<u>\$ 20,625</u>	<u>\$ (29,804)</u>

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

Boone/Winnebago Counties Regional Office of Education No. 4
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018
Exhibit J

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 720,093
Due from other governments	1,248,357
Prepaid expenses	30,000
TOTAL ASSETS	1,998,450
 LIABILITIES	
Accounts payable and accrued expenses	168,339
Due to other governments	1,830,111
TOTAL LIABILITIES	\$ 1,998,450

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

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Boone/Winnebago Counties Regional Office of Education No. 4 (ROE No. 4) operates under the School Code (Articles 3 and 3A of Illinois Compiled Statutes, Chapter 105). This encompasses Boone and Winnebago Counties, Illinois. The Regional Superintendent serves as chief administrative officer of the ROE No. 4 and is elected to the position for a four-year term pursuant to Article 3 of Illinois Compiled Statutes, Chapter 105.

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

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 ROE No. 4's districts; providing township treasurers with a list of district treasurers; inspecting and approving building plans which comply with State law; performing and reporting on annual building inspections; investigating bus drivers for valid bus driver permits and taking related action as may be required; maintaining a list of unfilled teaching positions; and carrying out other related duties required or permitted by law.

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

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

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Scope of the Reporting Entity

The ROE No. 4's reporting entity includes all related organizations for which it exercises oversight responsibility.

The ROE No. 4 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the region, including districts or joint agreements which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the ROE No. 4 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The districts and joint agreements, other than the two agreements detailed below, have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the ROE No. 4 does not control the assets, operations, or management of the districts or joint agreements. In addition, the ROE No. 4 is not aware of any entity that would exercise such oversight as to result in the ROE No. 4 being considered a component unit of the entity.

On July 1, 1995, the ROE No. 4 entered into an intergovernmental agreement executed pursuant to the provisions of the Intergovernmental Cooperation Clause of the Illinois Constitution as well as the provisions of the Intergovernmental Cooperation Act of 1973 and the Illinois Admin. Code 525.110. The name of the Educational Service delivery system formed is known as the Kishwaukee Intermediate Delivery Systems (KIDS). Membership in KIDS is made up of the following Regional Offices of Education: Boone/Winnebago, DeKalb, and McHenry. The ROE No. 4 was designated as the administrative agent and has reported the activity of this agreement in their financial statements as a blended component unit.

On July 1, 1999, the ROE No. 4 entered into an intergovernmental agreement with several participating school districts of the region pursuant to the provisions of Intergovernmental Cooperation Clause of the Illinois Constitution and the provisions of the Intergovernmental Cooperation Act of 1973 to form an alternative school known as the Boone-Winnebago Regional Alternative School. Membership in the Regional Alternative School is

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

extended to all public school districts in the region, and any school district desiring to participate may petition the Regional Alternative School Board to join. Membership is on a year-to-year basis. The Regional Alternative School Board is composed of the superintendent of each participating district and the Regional Superintendent of Schools. The Regional Superintendent was designated as the administrative, legal, and fiscal agent of the Regional Alternative School, and the Regional Office has reported the activity of this agreement in their financial statements as a blended component unit.

C. Government-wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the ROE No. 4 activities, with most of the interfund activities removed. Governmental activities include programs supported primarily by State and federal grants and other intergovernmental revenues. The ROE No. 4 has two business-type activities that rely on fees and charges for support.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, such as payables, receivables, and transfers. Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position. All interfund transactions between governmental funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and business-type funds remain as due to/due from on the government-wide financial statements. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities. In the Statement of Activities, activities between governmental funds have been eliminated; however, transactions between governmental and business-type activities have not been eliminated.

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

D. Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in 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 Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Governmental Fund Financial Statements

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

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

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

In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the ROE No. 4; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Under the terms of grant agreements, the ROE No. 4 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding resources available to finance the program. It is the ROE No. 4's policy to first apply restricted funds, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned if any.

F. Fund Accounting

The ROE No. 4 uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The ROE No. 4 uses governmental, proprietary, and fiduciary funds.

Governmental Funds

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

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

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 ROE No. 4 has presented all major funds that met the above qualifications.

The ROE No. 4 reports the following major governmental funds:

General Fund - The General Fund is the operating fund of the ROE No. 4. It is used to account for the expenditures that benefit all school districts in the Region except those required to be accounted for in other funds. General Funds include the following:

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

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

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

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

Payroll - This fund accounts for all payroll costs incurred by the ROE No. 4. Any fund that has payroll remits the money to the Payroll Fund as administering agent, which then disburses payments to employees, vendors, and payroll taxing authorities.

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

Regional Learning Center - GSA - This program accounts for grant monies received for and in payment of expenditures for the general operations of the Regional Learning Center.

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STAR-FIT - This program accounts for monies received for, and in payment of expenditures related to providing expelled or suspended students at Rockford Public School with alternative intervention program including fitness program aligned with core content classes.

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

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

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

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

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

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

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

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Title I - School Improvement & Accountability - The Illinois State Board of Education (ISBE) Quality Assurance Process consists of an external visit to audit each school every few years and an internal review that each school must conduct annually. The ROE No. 4 is charged with supporting and guiding schools through this complex school improvement process so that teaching and learning improve every year.

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

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

Pilot Regional Safe School Cooperative Education Program - This program accounts for grant monies received for, and payment of expenditures related to providing suspended or expelled youth at the Regional Safe School with alternative cooperative education including classroom work and experience in the private sector.

Individualized Education Programs (IEP) - This program accounts for grant monies received for, and payment of expenditures related to facilitation services focused on developing mutually acceptable IEP for children with known or suspected disabilities.

Nonmajor Special Revenue Funds

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

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bus Driver Training - Experienced bus drivers must take a two-hour instructional refresher course annually, while all new drivers must take an eight-hour course in bus driver safety and first aid, prescribed by the ISBE and administered by the ROE No. 4.

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

Testing Center - This fund is used to account for activity provided from the new testing center operated by the ROE No. 4.

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

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

Proprietary Funds

Proprietary Funds - Proprietary funds account for revenues and expenses related to services provided to organizations inside the Region on a cost-reimbursement basis. The ROE No. 4 reports the following enterprise funds:

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

Nonmajor Enterprise Fund - Nonmajor enterprise fund consists of:

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

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

Agency Funds - Agency funds are used to account for assets held by the ROE No. 4 in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The ROE No. 4 reports the following agency funds:

Career Education Associates of North Central Illinois (CEANCI) - This fund accounts for the assets held by the ROE No. 4 for the benefit of CEANCI, an intergovernmental agreement between the Belvidere, Byron, Harlem, Hononegah, North Boone, Oregon, Rockford, South Beloit, Stillman Valley, and Winnebago school districts for the purpose of directing the region's career and technical education programs. The policy-making CEANCI Board of Governors is composed of the school district superintendents. The ROE No. 4 serves as the administrative agent.

Boone County School Facility Occupation Tax - This fund accounts for the School Facility Occupation Tax receipts and distributions to the Boone County school districts. This tax is collected by the State on behalf of Boone County and remitted to the ROE No. 4 for distribution to the Boone County school districts.

G. Governmental Fund Balances

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

Nonspendable Fund Balance - The portion of a governmental fund's fund balance that is not available to be spent, either short term or long term, due to either its form or legal restrictions. The following accounts comprise nonspendable fund balance: Audiovisual Co-op, Regional Alternative School - GSA, Regional Learning Center - GSA, McKinney - Vento Homeless Children and Youth, Regional Safe Schools, ROE/ISC Operations, Raising Student Achievement Conference, Title I - School Improvement & Accountability, Truants Alternative, and Pilot Regional Safe School Cooperative Education Program.

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Fund Balance - The portion of a governmental fund's fund balance that is subject to external enforceable legal restrictions. The Richard Fairgrievs Scholarship Fund's fund balance is restricted by grant agreements, contracts or donors. The following fund balances are restricted by Illinois Statute: General Education Development, Bus Driver Training, Supervisory, Testing Center, and Institute.

Committed Fund Balance - The portion of a governmental fund's fund balance with self-imposed constraints or limitations that have been placed at the highest level of decision making. The ROE No. 4 has no committed fund balances.

Assigned Fund Balance - The portion of a governmental fund's fund balance for which an intended use of resources has been denoted. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. The following accounts comprise assigned fund balance: Audiovisual Co-op, Credit Recovery, Educational Service Center No. 1, Regional Alternative School - GSA, and Regional Learning Center - GSA.

Unassigned Fund Balance - Available expendable financial resources in a governmental fund that are not designated for a specific purpose. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes. The unassigned fund balance is made up of the General Operations, Title I - School Improvement & Accountability, Pilot Regional Safe School Cooperative Education Program, and Individualized Education Programs.

H. 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

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

I. Cash and Cash Equivalents

The ROE No. 4's cash and cash equivalents are considered to be demand deposits and short-term investments. All interest income is recognized as revenue in the appropriate fund's Statement of Revenues, Expenditures, and Changes in Fund Balances.

J. 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.

K. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 (\$500 in fiscal year 2013-2016) or more and estimated useful lives of greater than five years are reported at historical cost or estimated historical cost. Contributed assets are reported at their acquisition value at the date of the donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred.

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

Equipment and furniture	10 years
Computer equipment	5 years
Leasehold improvements	15 years

L. Deferred Outflows of Resources and Deferred Inflows of Resources

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

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

M. Pensions

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Illinois Municipal Retirement System (IMRF) and Teachers' Retirement System of the State of Illinois (TRS) and additions to/deductions from IMRF's and TRS' fiduciary net position have been determined on the same basis as they are reported by IMRF and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

N. Postemployment Benefits other than Pensions (OPEB)

For purposes of measuring the ROE No. 4's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the ROE No. 4 OPEB Plan and additions to/deductions from the ROE No. 4's fiduciary net position have been actuarially determined using the Alternative Measurement Method. For this purpose, the ROE No. 4's Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Compensated Absences

Beginning with the date of employment and at the anniversary of the date of employment, full time (12 month) support personnel shall have ten days paid vacation per employment year. Part time employees who are employed 12 months (52 weeks) on a specific part time schedule amounting to a minimum of 50% of the total yearly hours shall be eligible for a vacation allowance on a prorated basis. Grant employees who work 12 calendar months can earn up to 25 vacation days for a full year of service. In no case, shall more than one year's accumulated vacation be carried over the next fiscal year. Any accruals as of June 30th are reported as a liability for compensated absences in the basic financial statements. For the year ended June 30, 2018, the balance in this account was \$2,373.

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

P. Budget Information

Overall budgeting is not a legal requirement for the ROE No. 4. Formal budgets are not adopted for all funds; therefore budgetary comparison schedules are not included for certain programs in the financial statements.

The ROE No. 4 is the recipient of grants from ISBE for which comparison of budget and actual results are required. The comparison of budgeted and actual results for the following programs are reported as supplementary information:

Special Revenue Funds:

- Education Fund:
 - McKinney-Vento Homeless Children and Youth
 - Regional Safe Schools
 - ROE/ISC Operations
 - Title I - School Improvement & Accountability
 - Title II - Teacher Quality - Leadership
 - Truants Alternative
 - Pilot Regional Safe School Cooperative Education Program

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. New Accounting Pronouncements

During fiscal year 2018, the ROE No. 4 implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*; GASB Statement No. 81, *Irrevocable Split-Interest Agreements*; GASB Statement No. 85, *Omnibus 2017*; and GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The implementation of GASB Statement No. 75 established standards for measuring and recognizing OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expenses and identified the note disclosure and Required Supplementary Information reporting requirements for OPEB. The implementation of GASB Statement No. 81 improved the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance. The implementation of GASB Statement No. 85 addressed practice issues identified during the implementation and application of certain GASB statements such as issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits (pensions and other postemployment benefits). The implementation of GASB Statement No. 86 established uniform guidance for recognizing debt that is defeased in-substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing debt were acquired. The implementation of GASB Statement No. 75 resulted in prior period adjustment to net position in order to reflect the deferred outflows, inflows, and net OPEB liability related. The implementation of GASB Statement Nos. 81, 85, and 86 had no impact on the ROE No. 4's financial statements.

NOTE 2 CASH AND CASH EQUIVALENTS

The ROE No. 4 is permitted to invest in securities as authorized by 30 ILCS-235/2 and 6 and 105 ILCS-5/8-7. It is the policy of the ROE No. 4 to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the ROE No. 4 and conforming to all State statutes governing the investment of public funds. This policy includes all funds under the care and control of the Regional Superintendent of Schools.

Deposits. At June 30, 2018, the carrying amounts of the ROE No. 4's government-wide fund and agency fund deposits were \$3,946,421 and \$720,093, respectively, and the bank balances were \$4,151,520 and \$791,960, respectively. Of the total bank balances as of June 30, 2018, \$250,000 was secured by federal

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

depository insurance, \$4,175,994 was fully collateralized, \$137,846 was invested in the Illinois Funds Money Market Fund, and \$129,640 was uncollateralized and uninsured.

Custodial Credit Risk. Custodial credit risk for deposits with financial institutions is the risk that, in the event of bank failure, the ROE No. 4's deposits may not be returned to it. To guard against custodial credit risk for deposits with financial institutions, the ROE No. 4's investment policy requires that deposits with financial institutions in excess of FDIC limits be secured by some form of collateral, by a written agreement, and held at an independent, third-party institution in the name of the ROE No. 4.

Investments. The ROE No. 4 has a formal investment policy that permits it to invest only in certain instruments, including, among others, securities guaranteed by the full faith and credit of the United States of America as to principal and interest; bonds, notes, and similar obligations of the United States of America; interest-bearing deposits or other direct obligations of any bank as defined by the Illinois Banking Act, 205 ILCS 5/1 et seq.; short-term obligations of U.S. corporations with assets exceeding \$500,000,000 if they are rated at the time of purchase at one of the three highest classifications by at least two standard rating services, if they do not exceed 10% of the corporation's outstanding obligations, and if no more than one-third of the ROE No. 4's funds are invested in commercial paper; and certain money market mutual funds registered under the Federal Investment Company Act of 1940, 14 U.S.C. 80a-1 et seq. As of June 30, 2018, the ROE No. 4 had investments with carrying and fair values of \$137,846 invested in the Illinois Funds Money Market Fund.

Credit Risk. At June 30, 2018, the Illinois Funds Money Market Fund had a Standard and Poor's AAAM rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provision of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

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

Interest Rate Risk. The Illinois Funds Money Market Fund, created by the Illinois General Assembly, enables custodians of public funds an investment option with

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

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

NOTE 3 DUE FROM (TO) OTHER GOVERNMENTS

The ROE No. 4's Governmental, Proprietary and Agency Fund have funds due from and due to various governmental units which consists of the following:

Governmental and Proprietary Funds

Due from Other Governmental Agencies:

Illinois State Board of Education	\$	481,907
Local school districts		146,286
Others		32,120
Total	\$	660,313

Due to Other Governmental Agencies:

Others	\$	35,236
--------	----	--------

Agency Fund

Due from Other Governmental Agencies:

Others	\$	1,248,357
--------	----	-----------

Due to Other Governmental Agencies:

Others	\$	1,830,111
--------	----	-----------

NOTE 4 CAPITAL ASSETS

In accordance with GASB Statement No. 34, the ROE No. 4 has reported capital assets in the government-wide Statement of Net Position. Purchases are reported as capital outlay in the governmental fund statements when paid. Purchases of capital assets by business-type activities are capitalized when purchased. As discussed in Note 9, the ROE No. 4 acquired a leasehold improvement asset with a cost of \$55,000 in FY 2014, of which \$17,400 is being financed by a shared-

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 4 CAPITAL ASSETS (Continued)

cost agreement that is recognized as a liability in the government-wide statements, \$37,600 was recognized as capital outlay in the governmental funds in prior years, and \$11,000 was recognized as payment on long term debt in the governmental funds in the current year. The following table provides a summary of changes in total assets, accumulated depreciation, and investment in capital assets for the year ended June 30, 2018:

<u>Governmental Funds</u>	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Computers and equipment	\$ 498,603	\$ 50,773	\$ –	\$ 549,376
Leasehold improvements	55,000	–	–	55,000
Total	553,603	50,773	–	604,376
Less: accumulated depreciation	(344,015)	(60,920)	–	(404,935)
Capital assets, net	<u>\$ 209,588</u>	<u>\$ (10,147)</u>	<u>\$ –</u>	<u>\$ 199,441</u>
 <u>Proprietary Funds</u>				
Computers and equipment	\$ 12,408	\$ –	\$ –	\$ 12,408
Less: accumulated depreciation	(9,126)	(1,422)	–	(10,548)
Capital assets, net	<u>\$ 3,282</u>	<u>\$ (1,422)</u>	<u>\$ –</u>	<u>\$ 1,860</u>

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2018, of \$60,920 and \$1,422 was charged to the governmental activities instructional services function and business-type activities, respectively, on the government-wide Statement of Activities. Net investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation and related debt.

NOTE 5 DEFINED BENEFIT PENSION PLAN

Illinois Municipal Retirement Fund

IMRF Plan Description

The ROE No. 4's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The ROE No. 4's plan is managed by the IMRF, the administrator of a multi-employer public pension fund. A summary of

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

IMRF's pension benefits is provided in the "Benefits Provided" section below. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Annual Comprehensive 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:

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

- 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, 2017, the following employees were covered by the benefit terms:

	IMRF
Retirees and Beneficiaries currently receiving benefits	49
Inactive Plan Member entitled to but not yet receiving benefits	31
Active Plan Members	20
Total	100

Contributions

As set by statute, the ROE No. 4's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The ROE No. 4's annual contribution rate for calendar year 2017 was 8.83%. For the fiscal year ended 2018, the ROE No. 4 contributed \$46,038 to the plan. The ROE No. 4 also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The ROE No. 4's net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2017:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.50%.

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

- **Salary Increases** were expected to be 3.39% to 14.25%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study from years 2014 to 2016.
- For **non-disabled retirees**, an IMRF specific Mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates 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-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2017:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Equities	37%	6.85%
International Equities	18%	6.75%
Fixed Income	28%	3.00%
Real Estate	9%	5.75%
Alternative Investments	7%	2.65% - 7.35%
Cash Equivalents	1%	2.25%
Total	100%	

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.31%, and the resulting single discount rate is 7.50%.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (Asset) (A) – (B)
Balances as of December 31, 2016	\$ 3,789,372	\$ 3,649,178	\$ 140,194
Changes for the year:			
Service cost	61,539	–	61,539
Interest on the total pension liability	276,068	–	276,068
Changes of benefit terms	–	–	–
Differences between expected and actual experience of the total pension liability	69,618	–	69,618
Changes of assumptions	(127,918)	–	(127,918)
Contributions - employer	–	46,964	(46,964)
Contributions - employees	–	25,006	(25,006)
Net investment income	–	627,389	(627,389)
Benefit payment, including refunds of employee contributions	(292,792)	(292,792)	–
Other (net transfer)	–	(3,401)	3,401
Net Changes	<u>(13,485)</u>	<u>403,166</u>	<u>(416,651)</u>
Balances as of December 31, 2017	<u>\$ 3,775,887</u>	<u>\$ 4,052,344</u>	<u>\$ (276,457)</u>

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability (Asset) 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			
(Asset)	\$ 103,073	\$ (276,457)	\$ (580,844)

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

For the year ended June 30, 2018, the ROE No. 4 recognized pension expense of \$19,841. At June 30, 2018, the ROE No. 4 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts Related to Pensions		
<i>Deferred amounts to be recognized in pension expense in future periods</i>		
Difference between expected and actual experience	\$ 6,433	\$ –
Changes in assumptions	–	75,164
Net difference between projected and actual earnings on pension plan investments	–	200,413
Total deferred amounts to be recognized in pension expense in future periods	6,433	275,577
Pension contributions made subsequent to the measurement date	24,240	–
Total deferred amounts related to pension	\$ 30,673	\$ 275,577

\$24,240 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

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending December 31	Net Deferred Inflows of Resources
2018	\$ (60,337)
2019	(52,373)
2020	(83,673)
2021	(72,761)
Thereafter	—
Total	\$ (269,144)

Teachers' Retirement System of the State of Illinois

Plan Description

The ROE No. 4 participates in the TRS. TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

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

Benefits Provided

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

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

Tier 2 members qualify for retirement benefits at age 67 with 10 years of service, or a discounted annuity can be paid at age 62 with 10 years of service. Creditable earnings for retirement purposes are capped and the final average salary is based on the highest consecutive eight years of creditable service rather than the last four. Disability provisions for Tier 2 are identical to those of Tier 1. Death benefits are payable under a formula that is different from Tier 1.

Essentially all Tier 1 retirees receive an annual 3 percent increase in the current retirement benefit beginning January 1 following the attainment of age 61 or on January 1 following the member's first anniversary in retirement, whichever is later. Tier 2 annual increases will be the lesser of three percent of the original benefit or one-half percent of the rate of inflation beginning January 1 following attainment of age 67 or on January 1 following the member's first anniversary in retirement, whichever is later.

Public Act 100-0023, enacted in 2017, creates an optional Tier 3 hybrid retirement plan, but it has not yet gone into effect. Public Act 100-0587, enacted in 2018, requires TRS to offer two temporary benefit buyout programs that expire on June 30, 2024.

Contributions

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

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2017, was 9.0 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the ROE No. 4.

On behalf contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the ROE No. 4. For the year ended June 30, 2018,

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

State of Illinois contributions recognized by the ROE No. 4 were based on the State's proportionate share of the collective net pension liability associated with the ROE No. 4, and the ROE No. 4 recognized revenue and expenditures of \$1,663,381 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, 2018, were \$12,584 and are deferred because they were paid after the June 30, 2017 measurement date.

Federal and special trust fund contributions. When TRS members are paid from federal and special trust funds administered by the ROE No. 4, there is a statutory requirement for the ROE No. 4 to pay an employer pension contribution from those funds. Under Public Act 100-0340, the federal and special trust fund contribution rate is the total employer normal cost beginning with the year ended June 30, 2018.

Previously, the ROE No. 4 contributions for employees paid from federal and special trust funds were at the same rate as the State contribution rate to TRS and were much higher. For the year ended June 30, 2018, the employer pension contribution was 10.10 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2018, salaries totaling \$8,470 were paid from federal and special trust funds that required employer contributions of \$855. These contributions are deferred because they were paid after the June 30, 2017 measurement date.

Employer retirement cost contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The ROE No. 4 is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the program that ended on June 30, 2016 is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2018, the ROE No. 4 paid \$0 to TRS for employer ERO contributions for retirements that occurred before July 1, 2016.

The ROE No. 4 is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2018, the

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

ROE No. 4 paid \$0 to TRS for employer contributions due on salary increases in excess of 6 percent and \$0 for sick leave days granted in excess of the normal annual allotment.

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

At June 30, 2018, the ROE No. 4 reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for state pension support provided to the ROE No. 4. The State's support and total are for disclosure purposes only. The amount recognized by the ROE No. 4 as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the employer were as follows:

ROE No. 4 proportionate share of the net pension liability	\$	2,354,091
State's proportionate share of the net pension liability associated with the ROE No. 4		16,901,670
Total	\$	19,255,761

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and rolled forward to June 30, 2017. The ROE No. 4's proportion of the net pension liability was based on the ROE No. 4's share of contributions to TRS for the measurement year ended June 30, 2017, relative to the contributions of all participating TRS employers and the State during that period. At June 30, 2017, the ROE No. 4's proportion was 0.003081346191 percent, which was an increase of 0.001529530991 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the ROE No. 4 recognized pension expense of \$1,663,381 and revenue of \$1,663,381 for support provided by the State. For the year ended June 30, 2018, the Regional Office of Education No. 4 recognized pension expense of \$219,299. At June 30, 2018, the ROE No. 4 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,568	\$ 1,087
Net difference between projected and actual earnings on pension plan investments	1,615	–
Changes of assumptions	157,119	67,645
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,022,721	368,446
Employer contributions subsequent to the measurement date	13,439	–
Total	\$ 1,220,462	\$ 437,178

\$13,439 reported as deferred outflows of resources related to pensions resulting from ROE No. 4's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

Year Ended June 30:	Net Deferred Outflows (Inflows) of Resources
2019	\$ (8,735)
2020	299,130
2021	262,459
2022	189,743
2023	27,248
Total	\$ 769,845

Actuarial Assumptions

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

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

Inflation	2.50 percent
Salary increases	varies by amount of service credit
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 White Collar Table with adjustments as appropriate for TRS experiences. The rates are used on a fully-generational basis using projection table MP-2014. The same assumptions were used in the June 30, 2016 actuarial valuation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equities large cap	14.4%	6.94%
U.S. equities small/mid cap	3.6%	8.09%
International equities developed	14.4%	7.46%
Emerging market equities	3.6%	10.15%
U.S. bonds core	10.7%	2.44%
International debt developed	5.3%	1.70%
Real estate	15.0%	5.44%
Commodities (real return)	11.0%	4.28%
Hedge funds (absolute return)	8.0%	4.16%
Private equity	14.0%	10.63%
Total	<u>100.0%</u>	

Discount Rate

At June 30, 2017, the discount rate used to measure the total pension liability was 7.0 percent, which was a change from the June 30, 2016 rate of 6.83 percent. The

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and State contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS’s fiduciary net position at June 30, 2017 was projected to be available to make all projected future benefit payments to current active and inactive members and all benefit recipients. Tier 1’s liability is partially-funded by Tier 2 members, as the Tier 2 member contribution is higher than the cost of Tier 2 benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. All projected future payments were covered, so the long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity of the ROE No. 4’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the ROE No. 4’s proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the ROE No. 4’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
ROE No. 4’s proportionate share of the net pension liability	\$ 2,892,309	\$ 2,354,091	\$ 1,913,246

TRS Fiduciary Net Position

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

NOTE 6 OTHER POST EMPLOYMENT BENEFITS

Teachers' Health Insurance Security Fund

THIS Plan Description

The ROE No. 4 participates in the Teachers' Health Insurance Security (THIS) fund. The THIS fund is a non-appropriated trust fund held outside the State Treasury, with the State Treasurer as custodian. Additions deposited into the Trust are for the sole purpose of providing the health benefits to retirees, as established under the plan, and associated administrative costs. The THIS fund is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that covers retired employees of participating employers throughout the State of Illinois, excluding the Chicago Public School System. THIS health coverage includes provisions for medical, prescription, and behavioral health benefits, but does not provide vision, dental, or life insurance benefits. Annuitants may participate in the State administered Preferred Provider Organization plan or choose from several managed care options. As a result of the Governor's Executive Order 12-01, the responsibilities in relation to THIS were transferred to the Department of Central Management Services (CMS) as of July 1, 2013. CMS administers the plan with the cooperation of the TRS.

Benefits Provided

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

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

On-behalf Contributions to the THIS Fund

The State of Illinois makes employer retiree health insurance contributions on behalf of the ROE No. 4. For the year ended June 30, 2018, State of Illinois contributions recognized by the ROE No. 4 were based on the State's proportionate share of the collective net OPEB liability associated with the ROE No. 4, and recognized revenue and expenditures of \$231,232 in OPEB contributions from the State of Illinois.

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 6 OTHER POST EMPLOYMENT BENEFITS (Continued)

Employer Contributions to the THIS Fund

The ROE No. 4 also makes contributions to the THIS Fund. The ROE No. 4 THIS Fund contribution was 0.88 percent during the year ended June 30, 2018 and 0.84 and 0.80 percent during the years ended June 30, 2017 and June 30, 2016, respectively. For the year ended June 30, 2018, the ROE No. 4 paid \$19,092 to the THIS Fund, which was 100 percent of the required contribution. For the years ended June 30, 2017 and June 30, 2016, the ROE No. 4 paid \$18,478 and \$17,176, respectively, which was 100 percent of the required contributions.

Further Information on the THIS Fund

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

Actuarial Assumptions

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

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

Mortality rates for retirement and beneficiary annuitants were based on the RP-2014 White Collar Annuitant Mortality Table, adjusted for TRS experience. For disabled annuitants mortality rates were based on the RP-Disabled Annuitant

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 6 OTHER POST EMPLOYMENT BENEFITS (Continued)

table. Mortality rates for pre-retirement were based on the RP-2014 White Collar Table. All tables reflect future mortality improvements using Projection Scale MP-2014.

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

Single Discount Rate

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

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

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

The following presents the ROE No. 4's proportionate share of the collective net OPEB liability, as well as what the ROE No. 4's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
ROE No. 4's proportionate share of the collective net OPEB liability	\$ 2,977,771	\$ 2,481,372	\$ 2,084,381

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

The following table shows the ROE No. 4's net OPEB liability as of

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 6 OTHER POST EMPLOYMENT BENEFITS (Continued)

June 30, 2017, using current trend rates and sensitivity trend rates that are either 1-percentage-point higher or lower. The key trend rates are 8.00% in 2018 decreasing to an ultimate trend rate of 5.09% in 2025, for non-Medicare coverage, and 9.00% in 2018 decreasing to an ultimate trend rate of 4.50% in 2027 for Medicare coverage.

	1% Decrease ^a	Healthcare Cost Trend Rates	1% Increase ^b
ROE No. 4's proportionate share of the collective net OPEB liability	\$ 2,002,814	\$ 2,481,372	\$ 3,168,541

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

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

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

At June 30, 2018, the ROE No. 4 reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the ROE No. 4. The amount recognized by the ROE No. 4 as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the ROE No. 4 were as follow:

ROE No. 4's proportionate share of the net OPEB liability	\$	2,481,372
State's proportionate share of the net OPEB liability associated with the ROE No. 4		3,258,653
Total		\$ 5,740,025

The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2016, and was rolled forward to the June 30, 2017 measurement date. The ROE No. 4's proportion of the collective net OPEB liability was based on a projection of the ROE No. 4's long-term share of contributions to the OPEB plan relative to the projected contributions of the

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 6 OTHER POST EMPLOYMENT BENEFITS (Continued)

ROE No. 4, actuarially determined. At June 30, 2017, the ROE No. 4 proportion was 0.010133 percent, which was an increase of 0.000783 percent from its proportion measured as of June 30, 2016 (0.009350 percent). The State's support and total are for disclosure purposes only.

For the year ended June 30, 2018, the ROE No. 4 recognized OPEB expense of \$231,232 and revenue of \$231,232 for the support provided by the State. For the year ended June 30, 2018, the ROE No. 4 recognized OPEB expense of \$211,107. At June 30, 2018, the ROE No. 4 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ 1,405
Changes of assumptions	—	295,440
Net difference between projected and actual earnings on OPEB plan investments	—	28
Changes in proportion and differences between employer contributions and proportionate share of contributions	173,584	—
Employer contributions subsequent to the measurement date	19,092	—
Total	\$ 192,676	\$ 296,873

\$19,092 reported as deferred outflows of resources related to OPEB resulting from ROE No. 4 contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the ROE No. 4's OPEB expense as follows:

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 6 OTHER POST EMPLOYMENT BENEFITS (Continued)

Year Ending June 30,	Net Deferred Inflows of Resources
2019	\$ (18,941)
2020	(18,941)
2021	(18,941)
2022	(18,941)
2023	(18,934)
Thereafter	(28,591)
Total	\$ (123,289)

THIS Fiduciary Net Position

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

Health Insurance Plan

Plan Administration

The ROE No. 4 provides a single-employer defined benefit post-employment healthcare plan to retirees who participate in the IMRF retirement plan. This plan extends the same health benefits to annuitants as to active employees in the IMRF plan. Retirees pay the full cost of coverage.

Eligibility Provisions

Full-Time Employees - IMRF

Tier I IMRF Full-Time employees:

- Age 55 with at least 8 years of service (Reduced Pension)
- Age 55 with at least 30 years of service (Reduced Pension)
- Age 55 with at least 35 years of service (Full Pension)
- Age 60 with at least 8 years of service (Full Pension)

Tier II IMRF Full-Time employees:

- Age 62 with at least 10 years of service (Reduced Pension)
- Age 62 with at least 30 years of service (Reduced Pension)
- Age 62 with at least 35 years of service (Full Pension)
- Age 67 with at least 10 years of service (Full Pension)

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 6 OTHER POST EMPLOYMENT BENEFITS (Continued)

Full-Time Employees - TRS

Tier I TRS Full-Time employees:

Age 55 with at least 20 years of service (Reduced Pension)

Age 55 with at least 35 years of service (Full Pension)

Age 60 with at least 10 years of service (Full Pension)

Age 62 with at least 5 years of service (Full Pension)

Tier II TRS Full-Time employees:

Age 62 with at least 10 years of service (Reduced Pension)

Age 67 with at least 10 years of service (Full Pension)

Benefits Provided

The ROE No. 4 provides continued health insurance coverage at the blended employer rate to all eligible ROE No. 4 retirees in accordance with Illinois Compiled Statutes, which creates an implicit subsidy of retiree health insurance.

Medical/Prescription Coverage

Types of coverage:

Medical PPO

Coverage Provisions:

Retirees – IMRF

Pre-65 Coverage:

IMRF employees may continue ROE health insurance in retirement, however they are responsible for paying the full cost of the medical premium. Eligible spouse/dependent coverage may continue should the Retiree coverage terminate under COBRA provisions when an applicable qualifying event occurs. The spouse/dependent is responsible for the full cost of coverage.

Post-65 Coverage:

IMRF employees may continue ROE health insurance in retirement past Medicare eligibility, however they are responsible for paying the full cost of the medical premium. Eligible spouse/dependent coverage may continue should the Retiree coverage terminate under COBRA provisions when an applicable qualifying event occurs. The spouse/dependent is responsible for the full cost of coverage.

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 6 OTHER POST EMPLOYMENT BENEFITS (Continued)

Retirees – TRS

Pre-65/Post-65 Coverage:

TRS employees are not permitted to remain on ROE insurance in retirement and must seek outside coverage such as that offered through the THIS (Teacher Health Insurance Security) Fund. Once retired, ROE does not pay for any portion of the premium in retirement nor provide a reimbursement/stipend for insurance costs. Coverage is secondary to Medicare.

Additional Coverage

Types of coverage:

Dental
 Vision
 Life Insurance

Coverage Provisions:

Dental, Vision, and Life Insurance is not available to Retirees.

Plan Membership

As of June 30, 2018, the measurement date, the following employees were covered by the benefit terms:

	Participants
Inactive employees currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	45
Total	45

Funding Policy and Contributions

There is no funding policy that exists for the postretirement plan at this time, as the total OPEB liabilities are currently an unfunded obligation.

The employer contributions and benefit payments are related to the increase in active premiums due to the presence of retirees in the determination of blended retiree/active premiums.

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 6 OTHER POST EMPLOYMENT BENEFITS (Continued)

Contributions from other Regional Office of Education resources and benefit payments from other ROE resources are contributions made to and benefit payments made from the OPEB Plan that were not directly made to or from the OPEB Trust. There were no contributions or benefit payments from other Regional Office of Education resources.

Total OPEB Liability

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

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.25%
Discount rate	3.87%
High Quality 20 Year Tax-Exempt GO Bond Rate	3.87%
Annual Blended Premiums	PPO: Premiums charged for coverage of retiree and spouse, under age 65, are \$10,404 and \$12,385, respectively.
	PPO: Premiums charged for coverage of retiree and spouse, age 65 and over, are \$6,122 and \$6,122, respectively.
Healthcare cost trend rates	Initial trend rate is based on the 2018 Segal Health Plan Cost Trend Survey.
	For fiscal years on and after 2018, trend starts at 7.70%, regardless of age, and gradually decreases to an ultimate trend of 5.00%.
Retiree's share of benefit-related costs	100%

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 6 OTHER POST EMPLOYMENT BENEFITS (Continued)

IMRF Mortality follows the Sex Distinct Raw Rates as developed in the RP-2014 Study, with Blue Collar Adjustment. These rates are improved generationally using MP-2016 Improvement Rates. TRS Mortality follows the Sex Distinct Raw Rates as developed in the RP-2014 Study, with White Collar Adjustment. These rates are improved generationally using MP-2016 Improvement Rates. Spouse Mortality follows the Sex Distinct Raw Rates as developed in the RP-2014 Study. These rates are improved generationally using MP-2016 Improvement Rates.

The retirement rates disclosed in the IMRF December 31, 2017 and TRS June 30, 2017 Actuarial Valuation were used to estimate the single retirement ages pursuant to the Alternative Measurement Method for GASB 74/75.

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

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

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

Change in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2017	\$ 110,285
Changes for the year:	
Service cost	4,735
Interest	4,053
Changes of benefit terms	–
Differences between expected and actual experience	–
Changes of assumptions	–
Benefit payments	(11,111)
Net Changes	(2,323)
Balance as of June 30, 2018	\$ 107,962

NOTE 6 OTHER POST EMPLOYMENT BENEFITS (Continued)

Discount Rate

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

If the postretirement plan is funded, cash flow projections are used to determine the extent which the plan's future net position will be able to cover future benefit payments. To the extent future benefit payments are covered by the plan's projected net position, the expected rate of return on plan investments is used to determine the portion of the net OPEB liability associated with those payments.

To the extent future benefit payments are not covered by the plan's projected net position, the municipal bond rate is used to determine the portion of the net OPEB liability associated with those payments.

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

Municipal Bond Rate

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

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

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

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 6 OTHER POST EMPLOYMENT BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the ROE No. 4's total OPEB liability calculated using a discount rate of 3.87%, as well as what the ROE No. 4's total OPEB liability would be if it were calculated using a single discount rate that is 1-percentage-point higher (4.87%) or 1-percentage-point lower (2.87%) than the current discount rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
ROE No. 4 Total OPEB Liability	\$ 114,835	\$ 107,962	\$ 102,121

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, using the healthcare trend rates, as well as what the total OPEB liability would be if it were calculated using a Healthcare Trend Rate that is one percentage point lower or one percentage point higher (See Actuarial Assumptions):

	1% Decrease (Varies)	Healthcare Cost Trend Rates (Varies)	1% Increase (Varies)
ROE No. 4 Total OPEB Liability	\$ 100,180	\$ 107,962	\$ 116,926

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

For the year ended June 30, 2018, ROE No. 4 recognized OPEB benefit of \$(2,323). At June 30, 2018, ROE No. 4 reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 7 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 during the year are required to be disclosed. The following funds had fund deficits as of June 30, 2018:

Fund	Amount
Education Fund - Title I - School Improvement & Accountability	\$ 85,084
Education Fund - Pilot Regional Safe School Cooperative Education Program	4,214
Education Fund - Individualized Education Program	3,571

The deficit fund balances are due to grants being over expended and/or due to timing of recognition of revenue. It is expected that these deficits will continue into the future, however, some of the deficits will be reduced as funds become available.

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 8 INTERFUND ACTIVITIES

Due To/From Other Funds

Interfund due to/from other fund balances at June 30, 2018, consist of the following individual due to/from other funds in the Governmental Fund Balance Sheet and the Proprietary Funds Statement of Net Position. The balances between governmental funds, but not those between governmental and proprietary funds, were eliminated in the government-wide Statement of Net Position.

Fund	Due from Other Funds	Due to Other Funds
General Fund		
Credit Recovery	\$ 1,043	\$ —
General Operations	116,254	307
Payroll	77,262	63,375
Regional Alternative School - GSA	74,915	22,655
Regional Learning Center - GSA	65,529	—
Education Fund		
McKinney - Vento Homeless Children and Youth	—	95,866
Regional Safe Schools	—	14,494
ROE/ISC Operations	5,737	—
Raising Student Achievement Conference	—	42
Title I - School Improvement and Accountability	—	333,352
Title II - Teacher Quality - Leadership	—	2,400
Truants Alternative	—	19,453
Pilot Regional Safe School Cooperative Education Program	4,565	11,242
Individualized Education Programs	—	13,586
Nonmajor Special Revenue Fund		
General Education Development	—	46
Bus Driver Training	—	731
Testing Center	—	5,898
Institute	—	2,150
Proprietary Funds		
Local Workshops	292,347	52,145
Nonmajor Enterprise Fund - Fingerprinting	90	—
Total	\$ 637,742	\$ 637,742

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 8 INTERFUND ACTIVITIES (Continued)

Transfers

Interfund transfers in/out to other fund balances at June 30, 2018, 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, but not those between governmental and proprietary funds, were eliminated in the government-wide Statement of Activities.

Fund	Transfer-in	Transfer-out
General Fund		
Regional Learning Center - GSA	\$ –	\$ 103,202
STAR-FIT	103,202	–
Total	\$ 103,202	\$ 103,202

NOTE 9 LONG-TERM LIABILITIES

Changes in the ROE No. 4's long-term liabilities for the year ended June 30, 2018, are as follows:

Type of debt	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
Compensated absences	\$ 3,228	\$ –	\$ (855)	\$ 2,373	\$ –
Long-term debt	17,400	–	(11,000)	6,400	6,400
Net pension liability - IMRF	140,194	–	(140,194)	–	–
Net pension liability - TRS	1,219,150	1,134,941	–	2,354,091	–
Net OPEB liability - THIS	110,285	–	(2,323)	107,962	–
Total OPEB liability - Health insurance plan	2,412,032	69,340	–	2,481,372	–
Total	\$3,902,289	\$ 1,204,281	\$ (154,372)	\$ 4,952,198	\$ 6,400

In 2013, the ROE No. 4 entered into a shared-cost agreement with the Rockford Board of Education School District No. 205 in connection with a building that the Rockford School District leases to the ROE No. 4. Under this agreement, the Rockford School District and the ROE No. 4 will share the cost of a building improvement, and the ROE No. 4 will pay its share of the cost of the improvement over a five-year period. The ROE No. 4's share of the cost of the leasehold improvement is \$55,000. The ROE No. 4 has recognized this leasehold improvement as a capital asset in the government-wide statements and has recognized \$6,400 as a current liability on the government-wide statements.

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 10 OPERATING LEASES

The ROE No. 4 leases the southeast wing, six additional rooms, and a storage area in the building at 100 Heart Boulevard, Loves Park, Illinois, from the City of Loves Park. The lease term is from August 1, 2011 to July 31, 2016; rent is \$3,800 per month. During the fiscal year, the Winnebago County paid for \$3,000 of the monthly rental payment or a total of \$36,000 and was recognized as on-behalf revenue and expense by the ROE No. 4. On February 15, 2016, the ROE No. 4 exercised their second option of the lease to extend the original lease agreement for five years commencing August 1, 2016. All other terms and conditions of the lease agreement shall remain the same during the renewal term.

The ROE No. 4 leases classrooms and office space from the Rockford Board of Education School District #205 located at 5949 Safford Road, Rockford, Illinois. The lease term is from June 1, 2013 to June 30, 2018; rent is \$6,042 per month.

Rent expense for the year ended June 30, 2018, was \$82,100. Future minimum rentals are as follows for the years ending:

June 30	Amount
2019	\$ 9,600
2020	9,600
2021	800
2022 and thereafter	—
Total	\$ 20,000

NOTE 11 ON-BEHALF PAYMENTS

The State of Illinois paid the following salaries on behalf of the ROE No. 4:

Regional Superintendent salary	\$ 115,176
Regional Superintendent fringe benefits (includes State paid insurance)	27,254
Assistant Regional Superintendents salary	103,656
Assistant Regional Superintendent fringe benefits (includes State paid insurance)	31,798
Total	\$ 277,884

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

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 11 ON-BEHALF PAYMENTS (Continued)

The ROE No. 4 also recorded \$1,688,981 in revenue and expenses as on-behalf payments from ISBE for the ROE No. 4's share of the State's TRS pension expense and THIS Fund OPEB expense in the Statement of Activities. In addition, the ROE No. 4 has not included any on-behalf payments related to the State's TRS pension expense for the Regional Superintendent or Assistant Regional Superintendent.

State of Illinois on-behalf payments	\$	277,884
ROE No. 4's share of TRS pension expense		1,663,381
ROE No. 4's share of THIS OPEB expense		231,232
Total		\$ 2,172,497

Boone and Winnebago Counties provide the ROE No. 4 with staff and pay certain expenditures on behalf of the ROE No. 4. The expenditures paid on the ROE No. 4's behalf for the year ended June 30, 2018, were as follows:

Boone County		
Administrative support	\$	87,813
IMRF/FICA		8,459
Worker's compensation		1,253
Health insurance		12,376
Total		109,901
Winnebago County		
Salaries and benefits		163,485
Purchased services and supplies		112,804
Total		276,289
Total Local On-behalf Payments	\$	386,190

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

NOTE 12 RISK MANAGEMENT

The ROE No. 4 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ROE No. 4 has purchased commercial insurance to cover these risks. No losses have been incurred in excess of the amounts covered by insurance over the past three years.

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Financial Statements
June 30, 2018

NOTE 13 PRIOR PERIOD ADJUSTMENT

The ROE No. 4 implemented GASB Statement No. 75 and consequently recognized deferred outflows of resources, deferred inflows of resources, and net OPEB liability in the current year. The net opening balance of deferred outflows/inflows of resources - OPEB and net OPEB liability in the governmental activities was \$0. Because these OPEB-related opening balances reflect OPEB expenses not previously recognized, the opening net position of the governmental activities on the government-wide Statement of Activities has been restated as follows:

	Governmental Activities Net Position
Net Position, July 1, 2017, as previously reported	\$ 549,597
Cumulative effect of change in accounting principle	(2,503,839)
Net position, July 1, 2017, as restated	\$ (1,954,242)

NOTE 14 SUBSEQUENT EVENTS

In March 2020, the United States economy began suffering adverse effects from COVID-19 VIRUS (“CV19 Crisis”). The long-term impact of the CV19 Crisis on the ROE No. 4 cannot be reasonably estimated at this time. There were no other material events or transactions which would require an additional adjustment or disclosure in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios
Illinois Municipal Retirement Fund
Last Four Calendar Years

Calendar Year Ended December 31,	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 61,539	\$ 61,791	\$ 59,090	\$ 62,388
Interest on the total pension liability	276,068	265,685	256,542	235,990
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience of the total pension liability	69,618	65,833	15,473	7,406
Changes of assumptions	(127,918)	-	-	159,684
Benefit payments, including refunds of employee contributions	(292,792)	(220,625)	(200,456)	(184,346)
Net Change in Total Pension Liability	<u>(13,485)</u>	<u>172,684</u>	<u>130,649</u>	<u>281,122</u>
Total Pension Liability - Beginning	<u>3,789,372</u>	<u>3,616,688</u>	<u>3,486,039</u>	<u>3,204,917</u>
Total Pension Liability - Ending (A)	<u>\$ 3,775,887</u>	<u>\$ 3,789,372</u>	<u>\$ 3,616,688</u>	<u>\$ 3,486,039</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 46,964	\$ 69,398	\$ 61,145	\$ 75,662
Contributions - Employees	25,006	29,951	26,285	24,028
Net investment income	627,389	312,728	53,504	252,615
Benefit payments, including refunds of employee contributions	(292,792)	(220,625)	(200,456)	(184,346)
Other (net transfer)	(3,401)	(4,419)	(7,529)	(3,334)
Net Change in Plan Fiduciary Net Position	<u>403,166</u>	<u>187,033</u>	<u>(67,051)</u>	<u>164,625</u>
Plan Fiduciary Net Position - Beginning	<u>3,649,178</u>	<u>3,462,145</u>	<u>3,529,196</u>	<u>3,364,571</u>
Plan Fiduciary Net Position - Ending (B)	<u>\$ 4,052,344</u>	<u>\$ 3,649,178</u>	<u>\$ 3,462,145</u>	<u>\$ 3,529,196</u>
Net Pension Liability (Asset) - Ending (A) - (B)	<u>\$ (276,457)</u>	<u>\$ 140,194</u>	<u>\$ 154,543</u>	<u>\$ (43,157)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	107.32%	96.30%	95.73%	101.24%
Covered Payroll	\$ 531,876	\$ 629,175	\$ 558,913	\$ 538,482
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-51.98%	22.28%	27.65%	-8.01%

Notes to Schedule:

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

**Schedule of Employer Contributions
 Illinois Municipal Retirement Fund
 Last Four Fiscal Years**

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2018	\$ 46,038	\$ 46,038	\$ -	\$ 525,164	8.77%
2017	57,863	57,863	-	581,442	9.95%
2016	67,324	67,324	-	612,659	10.99%
2015	69,160	69,160	-	551,668	12.54%

Notes to Schedule:

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2017 Contribution Rate*

Valuation Date:

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

Methods and Assumptions Used to Determine 2017 Contribution Rates:

Actuarial Cost Method:	Aggregate entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	26-year closed period
Asset Valuation Method:	5-year smoothed market; 20% corridor
Wage Growth:	3.50%
Price Inflation:	2.75%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	3.75% to 14.50%, including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.
Mortality:	For non-disabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table 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 2012). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes There were no benefit changes during the year.

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

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.

**Schedule of the Employer's Proportionate Share of the Net Pension Liability
Teachers' Retirement System of the State of Illinois†**

	FY17*	FY16*	FY15*	FY14*
Employer's proportion of the net pension liability	0.003081346191%	0.0015518152%	0.0014257371%	0.0009230253%
Employer's proportionate share of the net pension liability	\$ 2,354,091	\$ 1,219,150	\$ 928,211	\$ 561,738
State's proportionate share of the net pension liability associated with the employer	16,901,670	16,080,826	12,794,652	8,380,255
Total	<u>\$ 19,255,761</u>	<u>\$ 17,299,976</u>	<u>\$ 13,722,863</u>	<u>\$ 8,941,993</u>
Employer's covered payroll	\$ 2,199,770	\$ 1,981,619	\$ 1,877,187	\$ 1,650,451
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	107.0%	61.5%	49.4%	34.0%
Plan fiduciary net position as a percentage of the total pension liability	39.3%	36.4%	41.5%	43.0%

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

**Schedule of Employer Contributions
Teachers' Retirement System of the State of Illinois†**

	FY18	FY17	FY16	FY15	FY14
Statutorily-required contribution	\$ 13,439	\$ 122,652	\$ 60,759	\$ 45,694	\$ 49,555
Contributions in relation to the statutorily-required contribution	13,439	128,420	60,914	49,994	32,969
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (5,768)</u>	<u>\$ (155)</u>	<u>\$ (4,300)</u>	<u>\$ 16,586</u>
Employer's covered payroll	\$ 2,169,531	\$ 2,199,770	\$ 1,981,619	\$ 1,877,187	\$ 1,650,451
Contributions as a percentage of covered payroll	0.60%	5.80%	3.10%	2.70%	2.00%

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

Notes to Required Supplementary Information

Changes of Assumptions

For the 2017 and 2016 measurement year, the assumed investment rate of return was of 7.0 percent, including an inflation rate of 2.5 percent and a real return of 4.5 percent. Salary increases were assumed to vary by service credit.

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

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

**Schedule of the Employer's Proportionate Share of the Collective Net OPEB Liability
 Teachers' Health Insurance Security Fund
 Last Two Fiscal Years***

	2017	2016
Employer's proportion of the collective net OPEB liability	0.010133000%	0.009350000%
Employer's proportionate share of the collective net OPEB liability	\$ 2,481,372	\$ 2,412,032
State's proportionate share of the collective net OPEB liability associated with the ROE No. 4	3,258,653	3,493,939
Total	\$ 5,740,025	\$ 5,905,971
Employer's covered payroll	\$ 2,199,770	\$ 1,981,619
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	112.8%	121.7%
Plan fiduciary net position as a percentage of the total OPEB liability	-0.17%	-0.22%

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

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.

**Schedule of Employer Contributions
 Teachers' Health Insurance Security Fund
 Last Three Fiscal Years**

	2018	2017	2016
Statutorily-required contribution	\$ 19,092	\$ 18,478	\$ 17,176
Contributions in relation to the statutorily-required contribution	19,092	18,478	17,176
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 2,169,531	\$ 2,199,770	\$ 1,981,619
Contributions as a percentage of covered payroll	0.88%	0.84%	0.87%

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

Notes to THIS Required Supplementary Information

Changes of Benefit Terms

In the June 30, 2016 actuarial valuation, there have been no changes of benefit terms from the prior period.

Changes of Assumptions

Because this is implementation year of GASB 75, the beginning Total OPEB Liability is based on the same assumptions, data and plan provisions as the ending Total OPEB Liability. For the purpose of developing changes in OPEB Liability for GASB 75 reporting, there have been no changes in assumptions from the prior period.

Boone/Winnebago Counties Regional Office of Education No. 4
Required Supplementary Information
June 30, 2018

Schedule of Changes in the Total OPEB Liability and Related Ratios
Health Insurance Plan

Fiscal year ended June 30,	<u>2018</u>
Total OPEB liability	
Service cost	\$ 4,735
Interest	4,053
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	<u>(11,111)</u>
Net change in total OPEB liability	(2,323)
Total OPEB liability - beginning	<u>110,285</u>
Total OPEB liability - ending	<u>\$ 107,962</u>
 Covered Payroll	 \$ 2,192,692
 Total OPEB Liability as a percentage of Covered Payroll	 4.92%

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.

OTHER SUPPLEMENTARY INFORMATION

Boone/Winnebago Counties Regional Office of Education No. 4
 General Fund Account
 Combining Schedule of Accounts
 June 30, 2018
 Schedule 1

	Audiovisual Co-op	Credit Recovery	Educational Service Center No. 1	General Operations
ASSETS				
Cash and cash equivalents	\$ 2,812	\$ 830	\$ 141,024	\$ 12,335
Due from other funds	-	1,043	-	116,254
Due from other governments	-	-	-	688
Prepaid expenses	2	-	-	-
TOTAL ASSETS	2,814	1,873	141,024	129,277
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	73	17	-	11,155
Due to other funds	-	-	-	307
Due to other governments	-	-	-	-
Unearned revenues	-	-	-	-
Total liabilities	73	17	-	11,462
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
FUND BALANCES				
Nonspendable	2	-	-	-
Assigned	2,739	1,856	141,024	-
Unassigned	-	-	-	117,815
Total fund balances	2,741	1,856	141,024	117,815
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,814	\$ 1,873	\$ 141,024	\$ 129,277

Boone/Winnebago Counties Regional Office of Education No. 4
General Fund Account
Combining Schedule of Accounts
June 30, 2018
Schedule 1 (Continued)

	Payroll	Regional Alternative School - GSA	Regional Learning Center - GSA	STAR-FIT	Total
ASSETS					
Cash and cash equivalents	\$ -	\$ 622,647	\$ 732,567	\$ -	\$ 1,512,215
Due from other funds	77,262	74,915	65,529	-	335,003
Due from other governments	23,287	1,318	67,708	-	93,001
Prepaid expenses	-	6,151	29,260	-	35,413
TOTAL ASSETS	100,549	705,031	895,064	-	1,975,632
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	12,618	632	233,525	-	258,020
Due to other funds	63,375	22,655	-	-	86,337
Due to other governments	24,556	-	10,000	-	34,556
Unearned revenues	-	-	364	-	364
Total liabilities	100,549	23,287	243,889	-	379,277
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	21,618	-	21,618
FUND BALANCES					
Nonspendable	-	6,151	29,260	-	35,413
Assigned	-	675,593	600,297	-	1,421,509
Unassigned	-	-	-	-	117,815
Total fund balances	-	681,744	629,557	-	1,574,737
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 100,549	\$ 705,031	\$ 895,064	\$ -	\$ 1,975,632

Boone/Winnebago Counties Regional Office of Education No. 4
General Fund Account
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2018
Schedule 2

	Audiovisual Co-op	Credit Recovery	Educational Service Center No. 1	General Operations
REVENUES				
Federal sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Local sources	-	20,163	-	35,547
On-behalf payments - State	-	-	-	277,884
On-behalf payments - local	-	-	-	386,190
Total revenues	<u>-</u>	<u>20,163</u>	<u>-</u>	<u>699,621</u>
EXPENDITURES				
Instructional Services				
Salaries and benefits	1,490	17,432	-	-
Pension expense	119	94	-	-
OPEB expense	-	139	-	-
Purchased services	26	-	-	19,860
Supplies and materials	-	-	-	23,641
Miscellaneous	-	-	-	21,520
Administrative				
On-behalf payments - State	-	-	-	277,884
On-behalf payments - local	-	-	-	386,190
Capital outlay	-	-	-	-
Total expenditures	<u>1,635</u>	<u>17,665</u>	<u>-</u>	<u>729,095</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,635)</u>	<u>2,498</u>	<u>-</u>	<u>(29,474)</u>
OTHER FINANCING SOURCES (USES)				
Interest income	-	-	430	2,707
Transfers in (out)	-	-	-	-
Payment of long-term debt	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>430</u>	<u>2,707</u>
NET CHANGE IN FUND BALANCES	<u>(1,635)</u>	<u>2,498</u>	<u>430</u>	<u>(26,767)</u>
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>4,376</u>	<u>(642)</u>	<u>140,594</u>	<u>144,582</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,741</u>	<u>\$ 1,856</u>	<u>\$ 141,024</u>	<u>\$ 117,815</u>

Boone/Winnebago Counties Regional Office of Education No. 4
General Fund Account
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2018
Schedule 2 (Continued)

	Payroll	Regional Alternative School - GSA	Regional Learning Center - GSA	STAR-FIT	Total
REVENUES					
Federal sources	\$ -	\$ -	\$ 134,502	\$ -	\$ 134,502
State sources	-	973,599	1,317,196	-	2,290,795
Local sources	-	-	919,295	-	975,005
On-behalf payments - State	-	-	-	-	277,884
On-behalf payments - local	-	-	-	-	386,190
Total revenues	-	973,599	2,370,993	-	4,064,376
EXPENDITURES					
Instructional Services					
Salaries and benefits	-	832,509	1,483,752	-	2,335,183
Pension expense	-	13,413	27,473	-	41,099
OPEB expense	-	5,875	8,987	-	15,001
Purchased services	-	67,028	148,325	-	235,239
Supplies and materials	-	129,249	228,913	-	381,803
Miscellaneous	-	-	-	-	21,520
Administrative					
On-behalf payments - State	-	-	-	-	277,884
On-behalf payments - local	-	-	-	-	386,190
Capital outlay	-	19,904	19,519	-	39,423
Total expenditures	-	1,067,978	1,916,969	-	3,733,342
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(94,379)	454,024	-	331,034
OTHER FINANCING SOURCES (USES)					
Interest income	-	1,735	267	-	5,139
Transfers in (out)	-	-	(103,202)	103,202	-
Payment of long-term debt	-	-	(11,000)	-	(11,000)
Total other financing sources (uses)	-	1,735	(113,935)	103,202	(5,861)
NET CHANGE IN FUND BALANCES	-	(92,644)	340,089	103,202	325,173
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	-	774,388	289,468	(103,202)	1,249,564
FUND BALANCES, END OF YEAR	\$ -	\$ 681,744	\$ 629,557	\$ -	\$ 1,574,737

Boone/Winnebago Counties Regional Office of Education No. 4
 Education Fund
 Combining Schedule of Accounts
 June 30, 2018
 Schedule 3

	McKinney - Vento Homeless Children and Youth	Regional Safe Schools	ROE/ISC Operations	Raising Student Achievement Conference
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 87,231	\$ 249,294
Due from other funds	-	-	5,737	-
Due from other governments	99,000	35,434	-	-
Prepaid expenses	252	2,178	2,429	22
TOTAL ASSETS	99,252	37,612	95,397	249,316
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Accounts payable and accrued expenses	3,134	20,940	12,849	46
Due to other funds	95,866	14,494	-	42
Due to other governments	-	-	-	-
Unearned revenue	-	-	80,119	249,206
Total liabilities	99,000	35,434	92,968	249,294
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
FUND BALANCES (DEFICIT)				
Nonspendable	252	2,178	2,429	22
Unassigned	-	-	-	-
TOTAL FUND BALANCES (DEFICIT)	252	2,178	2,429	22
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)	\$ 99,252	\$ 37,612	\$ 95,397	\$ 249,316

Boone/Winnebago Counties Regional Office of Education No. 4
 Education Fund
 Combining Schedule of Accounts
 June 30, 2018
 Schedule 3 (Continued)

	<u>Technology for Success</u>	<u>Title I - School Improvement & Accountability</u>	<u>Title II - Teacher Quality - Leadership</u>	<u>Truants Alternative</u>
ASSETS				
Cash and cash equivalents	\$ 25,670	\$ 14,758	\$ -	\$ -
Due from other funds	-	-	-	-
Due from other governments	-	330,437	2,400	63,278
Prepaid expenses	-	1,681	-	4,444
TOTAL ASSETS	<u>25,670</u>	<u>346,876</u>	<u>2,400</u>	<u>67,722</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Accounts payable and accrued expenses	-	8,894	-	43,376
Due to other funds	-	333,352	2,400	19,453
Due to other governments	-	-	-	449
Unearned revenue	25,670	-	-	-
Total liabilities	<u>25,670</u>	<u>342,246</u>	<u>2,400</u>	<u>63,278</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	89,714	-	-
FUND BALANCES (DEFICIT)				
Nonspendable	-	1,681	-	4,444
Unassigned	-	(86,765)	-	-
TOTAL FUND BALANCES (DEFICIT)	<u>-</u>	<u>(85,084)</u>	<u>-</u>	<u>4,444</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)				
	<u>\$ 25,670</u>	<u>\$ 346,876</u>	<u>\$ 2,400</u>	<u>\$ 67,722</u>

Boone/Winnebago Counties Regional Office of Education No. 4
 Education Fund
 Combining Schedule of Accounts
 June 30, 2018
 Schedule 3 (Continued)

	Pilot Regional Safe School Cooperative Education Program	Individualized Education Programs	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 376,953
Due from other funds	4,565	-	10,302
Due from other governments	14,715	13,586	558,850
Prepaid expenses	691	-	11,697
TOTAL ASSETS	19,971	13,586	957,802
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)			
LIABILITIES			
Accounts payable and accrued expenses	7,807	-	97,046
Due to other funds	11,242	13,586	490,435
Due to other governments	231	-	680
Unearned revenue	-	-	354,995
Total liabilities	19,280	13,586	943,156
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	4,905	3,571	98,190
FUND BALANCES (DEFICIT)			
Nonspendable	691	-	11,697
Unassigned	(4,905)	(3,571)	(95,241)
TOTAL FUND BALANCES (DEFICIT)	(4,214)	(3,571)	(83,544)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)	\$ 19,971	\$ 13,586	\$ 957,802

Boone/Winnebago Counties Regional Office of Education No. 4
Education Fund
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2018
Schedule 4

	McKinney - Vento Homeless Children and Youth	Regional Safe Schools	ROE/ISC Operations	Raising Student Achievement Conference
REVENUES				
Federal sources	\$ 158,361	\$ -	\$ -	\$ -
State sources	-	251,708	170,330	-
Local sources	-	-	165,374	177,572
Total revenues	<u>158,361</u>	<u>251,708</u>	<u>335,704</u>	<u>177,572</u>
EXPENDITURES				
Instructional Services				
Salaries and benefits	18,897	163,647	217,264	7,040
Pension expense	1,070	831	3,230	-
OPEB expense	22	1,235	932	-
Purchased services	9,516	1,671	71,120	160,932
Supplies and materials	922	-	31,190	10,240
Intergovernmental				
Payments to other governments	68,484	-	-	-
Capital outlay	-	-	11,350	-
Total expenditures	<u>98,911</u>	<u>167,384</u>	<u>335,086</u>	<u>178,212</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	59,450	84,324	618	(640)
OTHER FINANCING SOURCE				
Interest income	-	-	-	625
NET CHANGE IN FUND BALANCES	59,450	84,324	618	(15)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>(59,198)</u>	<u>(82,146)</u>	<u>1,811</u>	<u>37</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 252</u>	<u>\$ 2,178</u>	<u>\$ 2,429</u>	<u>\$ 22</u>

**Boone/Winnebago Counties Regional Office of Education No. 4
Education Fund
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2018
Schedule 4 (Continued)**

	Technology for Success	Title I - School Improvement & Accountability	Title II - Teacher Quality - Leadership	Truants Alternative
REVENUES				
Federal sources	\$ -	\$ 544,518	\$ 3,800	\$ -
State sources	100,431	-	-	474,130
Local sources	-	-	-	-
Total revenues	<u>100,431</u>	<u>544,518</u>	<u>3,800</u>	<u>474,130</u>
EXPENDITURES				
Instructional Services				
Salaries and benefits	16	176,613	-	281,871
Pension expense	-	3,252	-	9,762
OPEB expense	-	686	-	870
Purchased services	273	34,955	3,800	19,753
Supplies and materials	-	2,266	-	3,813
Intergovernmental				
Payments to other governments	-	379,327	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>289</u>	<u>597,099</u>	<u>3,800</u>	<u>316,069</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	100,142	(52,581)	-	158,061
OTHER FINANCING SOURCE				
Interest income	-	-	-	-
NET CHANGE IN FUND BALANCES	100,142	(52,581)	-	158,061
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>(100,142)</u>	<u>(32,503)</u>	<u>-</u>	<u>(153,617)</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ -</u>	<u>\$ (85,084)</u>	<u>\$ -</u>	<u>\$ 4,444</u>

Boone/Winnebago Counties Regional Office of Education No. 4
Education Fund
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2018
Schedule 4 (Continued)

	Pilot Regional Safe School Cooperative Education Program	Individualized Education Programs	Total
REVENUES			
Federal sources	\$ -	\$ 43,766	\$ 750,445
State sources	89,802	-	1,086,401
Local sources	-	-	342,946
Total revenues	<u>89,802</u>	<u>43,766</u>	<u>2,179,792</u>
EXPENDITURES			
Instructional Services			
Salaries and benefits	47,385	4,750	917,483
Pension expense	233	-	18,378
OPEB expense	346	-	4,091
Purchased services	501	42,587	345,108
Supplies and materials	500	-	48,931
Intergovernmental			
Payments to other governments	-	-	447,811
Capital outlay	-	-	11,350
Total expenditures	<u>48,965</u>	<u>47,337</u>	<u>1,793,152</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	40,837	(3,571)	386,640
OTHER FINANCING SOURCE			
Interest income	-	-	625
NET CHANGE IN FUND BALANCES	40,837	(3,571)	387,265
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>(45,051)</u>	<u>-</u>	<u>(470,809)</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ (4,214)</u>	<u>\$ (3,571)</u>	<u>\$ (83,544)</u>

Boone/Winnebago Counties Regional Office of Education No. 4
Education Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018
Schedule 5

	McKinney -			Regional Safe Schools		
	Vento Homeless Children and Youth					
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Federal sources	\$ 99,000	\$ 158,361	\$ 59,361	\$ -	\$ -	\$ -
State sources	-	-	-	167,859	251,708	83,849
Local sources	-	-	-	-	-	-
Total revenues	<u>99,000</u>	<u>158,361</u>	<u>59,361</u>	<u>167,859</u>	<u>251,708</u>	<u>83,849</u>
EXPENDITURES						
Salaries and benefits	20,139	18,897	1,242	166,027	163,647	2,380
Pension expense	-	1,070	(1,070)	-	831	(831)
OPEB expense	-	22	(22)	-	1,235	(1,235)
Purchased services	9,603	9,516	87	1,832	1,671	161
Supplies and materials	1,025	922	103	-	-	-
Payments to other governments	68,233	68,484	(251)	-	-	-
Miscellaneous	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>99,000</u>	<u>98,911</u>	<u>89</u>	<u>167,859</u>	<u>167,384</u>	<u>475</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>59,450</u>	<u>\$ 59,450</u>	<u>\$ -</u>	<u>84,324</u>	<u>\$ 84,324</u>
FUND BALANCES (DEFICIT), BEGINNING OF YEAR		<u>(59,198)</u>			<u>(82,146)</u>	
FUND BALANCES (DEFICIT), END OF YEAR		<u>\$ 252</u>			<u>\$ 2,178</u>	

Boone/Winnebago Counties Regional Office of Education No. 4
Education Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018
Schedule 5 (Continued)

	ROE/ISC Operations			Title I - School Improvement & Accountability		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Federal sources	\$ -	\$ -	\$ -	\$ 750,000	\$ 544,518	\$ (205,482)
State sources	183,627	170,330	(13,297)	-	-	-
Local sources	-	165,374	165,374	-	-	-
Total revenues	<u>183,627</u>	<u>335,704</u>	<u>152,077</u>	<u>750,000</u>	<u>544,518</u>	<u>(205,482)</u>
EXPENDITURES						
Salaries and benefits	118,199	217,264	(99,065)	200,168	176,613	23,555
Pension expense	-	3,230	(3,230)	-	3,252	(3,252)
OPEB expense	-	932	(932)	-	686	(686)
Purchased services	50,171	71,120	(20,949)	49,832	34,955	14,877
Supplies and materials	12,386	31,190	(18,804)	2,000	2,266	(266)
Payments to other governments	-	-	-	498,000	379,327	118,673
Miscellaneous	261	-	261	-	-	-
Capital outlay	2,610	11,350	(8,740)	-	-	-
Total expenditures	<u>183,627</u>	<u>335,086</u>	<u>(151,459)</u>	<u>750,000</u>	<u>597,099</u>	<u>152,901</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>618</u>	<u>\$ 618</u>	<u>\$ -</u>	<u>(52,581)</u>	<u>\$ (52,581)</u>
FUND BALANCES (DEFICIT), BEGINNING OF YEAR		<u>1,811</u>			<u>(32,503)</u>	
FUND BALANCES (DEFICIT), END OF YEAR		<u>\$ 2,429</u>			<u>\$ (85,084)</u>	

Boone/Winnebago Counties Regional Office of Education No. 4
 Education Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2018
 Schedule 5 (Continued)

	Title II -Teacher Quality - Leadership			Truants Alternative			Pilot Regional Safe School Cooperative Education Program		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
Federal sources	\$ -	\$ 3,800	\$ 3,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	4,459	-	(4,459)	316,384	474,130	157,746	49,050	89,802	40,752
Local sources	-	-	-	-	-	-	-	-	-
Total revenues	<u>4,459</u>	<u>3,800</u>	<u>(659)</u>	<u>316,384</u>	<u>474,130</u>	<u>157,746</u>	<u>49,050</u>	<u>89,802</u>	<u>40,752</u>
EXPENDITURES									
Salaries and benefits	159	-	159	290,880	281,871	9,009	47,720	47,385	335
Pension expense	-	-	-	-	9,762	(9,762)	-	233	(233)
OPEB expense	-	-	-	-	870	(870)	-	346	(346)
Purchased services	4,300	3,800	500	21,904	19,753	2,151	830	501	329
Supplies and materials	-	-	-	3,600	3,813	(213)	500	500	-
Payments to other governments	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	<u>4,459</u>	<u>3,800</u>	<u>659</u>	<u>316,384</u>	<u>316,069</u>	<u>315</u>	<u>49,050</u>	<u>48,965</u>	<u>85</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>158,061</u>	<u>\$ 158,061</u>	<u>\$ -</u>	<u>40,837</u>	<u>\$ 40,837</u>
FUND BALANCES (DEFICIT), BEGINNING OF YEAR		<u>-</u>			<u>(153,617)</u>			<u>(45,051)</u>	
FUND BALANCES (DEFICIT), END OF YEAR		<u>\$ -</u>			<u>\$ 4,444</u>			<u>\$ (4,214)</u>	

Boone/Winnebago Counties Regional Office of Education No. 4
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 June 30, 2018
 Schedule 6

	<u>General Education Development</u>	<u>Bus Driver Training</u>	<u>Supervisory</u>	<u>Testing Center</u>	<u>Richard Fairgrievies Scholarship Fund</u>	<u>Institute</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 26,783	\$ 18,381	\$ 1,010	\$ 80,547	\$ 3,145	\$ 464,451	\$ 594,317
Due from other governments	306	1,410	-	6,746	-	-	8,462
TOTAL ASSETS	<u>27,089</u>	<u>19,791</u>	<u>1,010</u>	<u>87,293</u>	<u>3,145</u>	<u>464,451</u>	<u>602,779</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable and accrued expenses	108	971	-	1,104	-	-	2,183
Due to other funds	46	731	-	5,898	-	2,150	8,825
Total liabilities	<u>154</u>	<u>1,702</u>	<u>-</u>	<u>7,002</u>	<u>-</u>	<u>2,150</u>	<u>11,008</u>
FUND BALANCES							
Restricted	<u>26,935</u>	<u>18,089</u>	<u>1,010</u>	<u>80,291</u>	<u>3,145</u>	<u>462,301</u>	<u>591,771</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 27,089</u>	<u>\$ 19,791</u>	<u>\$ 1,010</u>	<u>\$ 87,293</u>	<u>\$ 3,145</u>	<u>\$ 464,451</u>	<u>\$ 602,779</u>

Boone/Winnebago Counties Regional Office of Education No. 4
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2018
 Schedule 7

	General Education Development	Bus Driver Training	Supervisory	Testing Center	Richard Fairgrievs Scholarship Fund	Institute	Total
REVENUES							
State sources	\$ -	\$ 2,193	\$ -	\$ -	\$ -	\$ -	\$ 2,193
Local sources	14,169	13,716	-	47,593	-	147,299	222,777
Total revenues	<u>14,169</u>	<u>15,909</u>	<u>-</u>	<u>47,593</u>	<u>-</u>	<u>147,299</u>	<u>224,970</u>
EXPENDITURES							
Salaries and benefits	2,155	-	-	29,407	-	8,457	40,019
Purchased services	754	11,877	-	545	-	4,569	17,745
Supplies and materials	457	439	-	8,604	-	-	9,500
Miscellaneous	1,440	4,950	-	2,006	2,000	10,292	20,688
Total expenditures	<u>4,806</u>	<u>17,266</u>	<u>-</u>	<u>40,562</u>	<u>2,000</u>	<u>23,318</u>	<u>87,952</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,363	(1,357)	-	7,031	(2,000)	123,981	137,018
OTHER FINANCING SOURCE							
Interest income	-	26	3	-	-	-	29
NET CHANGE IN FUND BALANCES	9,363	(1,331)	3	7,031	(2,000)	123,981	137,047
FUND BALANCES, BEGINNING OF YEAR	<u>17,572</u>	<u>19,420</u>	<u>1,007</u>	<u>73,260</u>	<u>5,145</u>	<u>338,320</u>	<u>454,724</u>
FUND BALANCES, END OF YEAR	<u>\$ 26,935</u>	<u>\$ 18,089</u>	<u>\$ 1,010</u>	<u>\$ 80,291</u>	<u>\$ 3,145</u>	<u>\$ 462,301</u>	<u>\$ 591,771</u>

Boone/Winnebago Counties Regional Office of Education No. 4
Agency Funds
Combining Statement of Fiduciary Net Position
June 30, 2018
Schedule 8

	Career Education Associates of North Central Illinois	Boone County School Facility Occupation Tax	Total
ASSETS			
Cash and cash equivalents	\$ 720,093	\$ -	\$ 720,093
Due from other governments	453,062	795,295	1,248,357
Prepaid expenses	30,000	-	30,000
TOTAL ASSETS	1,203,155	795,295	1,998,450
LIABILITIES			
Accounts payable and accrued expenses	168,339	-	168,339
Due to other governments	1,034,816	795,295	1,830,111
TOTAL LIABILITIES	\$ 1,203,155	\$ 795,295	\$ 1,998,450

Boone/Winnebago Counties Regional Office of Education No. 4
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2018
Schedule 9

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>CAREER EDUCATION ASSOCIATES OF NORTH CENTRAL ILLINOIS</u>				
ASSETS				
Cash and cash equivalents	\$ 528,451	\$ 720,093	\$ 528,451	\$ 720,093
Due from other governments	643,425	453,062	643,425	453,062
Prepaid expenses	10,000	30,000	10,000	30,000
TOTAL ASSETS	1,181,876	1,203,155	1,181,876	1,203,155
LIABILITIES				
Accounts payable and accrued expenses	24,905	168,339	24,905	168,339
Due to other governments	1,156,971	1,034,816	1,156,971	1,034,816
TOTAL LIABILITIES	\$ 1,181,876	\$ 1,203,155	\$ 1,181,876	\$ 1,203,155
<u>BOONE COUNTY SCHOOL FACILITY OCCUPATION TAX</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 2,894,726	\$ 2,894,726	\$ -
Due from other governments	714,744	80,551	-	795,295
TOTAL ASSETS	714,744	2,975,277	2,894,726	795,295
LIABILITIES				
Due to other governments	714,744	2,975,277	2,894,726	795,295
TOTAL LIABILITIES	\$ 714,744	\$ 2,975,277	\$ 2,894,726	\$ 795,295
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 528,451	\$ 3,614,819	\$ 3,423,177	\$ 720,093
Due from other governments	1,358,169	533,613	643,425	1,248,357
Prepaid expenses	10,000	30,000	10,000	30,000
TOTAL ASSETS	1,896,620	4,178,432	4,076,602	1,998,450
LIABILITIES				
Accounts payable and accrued expenses	24,905	168,339	24,905	168,339
Due to other governments	1,871,715	4,010,093	4,051,697	1,830,111
TOTAL LIABILITIES	\$ 1,896,620	\$ 4,178,432	\$ 4,076,602	\$ 1,998,450

Boone/Winnebago Counties Regional Office of Education No. 4
Boone County School Facility Occupation Tax
Schedule of Disbursements to School District Treasurers and Other Entities
For the Year Ended June 30, 2018
Schedule 10

<u>District</u>	<u>Boone County School Facility Occupation Tax</u>
Belvidere CUSD #100	\$ 2,385,974
Harvard CUSD #50	3,683
Hiawatha CUSD #426	3,975
North Boone CUSD #200	490,477
Rockford SD #205	10,472
Regional Office of Education #4	145
	<u>\$ 2,894,726</u>

Boone/Winnebago Counties Regional Office of Education No. 4
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through/ Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<u>CHILD NUTRITION CLUSTER:</u>				
Passed-Through Illinois State Board of Education				
School Breakfast Program				
<i>School Breakfast Program</i>	10.553	2018-4220-00		\$ 38,034
<i>School Breakfast Program</i>	10.553	2017-4220-00		8,060
				<u>46,094</u>
National School Lunch Program				
<i>National School Lunch Program</i>	10.555	2018-4210-00		73,588
<i>National School Lunch Program</i>	10.555	2017-4210-00		14,820
				<u>88,408</u>
TOTAL CHILD NUTRITION CLUSTER				<u>134,502</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>134,502</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed-Through Illinois State Board of Education				
Title I Grants to Local Educational Agencies				
<i>Title I - School Improvement and Accountability</i>	(M) 84.010A	2018-4331-SS	\$ 379,327	512,117
		2017-4331-SS	-	52,480
			<u>379,327</u>	<u>564,597</u>
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				
<i>Title II - Teacher Quality - Leadership</i>	84.367A	2018-4935-02		3,800
Passed-Through Regional Office of Education No. 47				
Education for Homeless Children and Youth				
<i>McKinney - Vento Homeless Children and Youth</i>	84.196A	2018-4920-00	68,484	98,911
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>447,811</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 447,811</u>
				<u>\$ 801,810</u>

(M) - Program was audited as a major program.

The accompanying notes are an integral part of this schedule.

Boone/Winnebago Counties Regional Office of Education No. 4
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Regional Office of Education No. 4 (ROE No. 4) under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of ROE No. 4, it is not intended to and does not present the financial position, changes in net assets, or cash flows of ROE No. 4.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. ROE No. 4 has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.