

**State of Illinois
WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
FINANCIAL AUDIT
(In Accordance with the Single Audit Act
and OMB Circular A-133)
For the Year Ended June 30, 2013**

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

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

OFFICIALS

Regional Superintendent (Current, Acting Effective February 21, 2013)	Mr. Shawn T. Walsh
Regional Superintendent (January 9, 2013 to February 20, 2013)	Vacant
Regional Superintendent (Acting Effective July 1, 2012 through January 8, 2013)	Dr. Jennifer Bertino-Tarrant
Assistant Regional Superintendent (July 1, 2013 to Current)	Mr. Frank Perucca
Assistant Regional Superintendent (February 21, 2013 to June 30, 2013)	Vacant
Assistant Regional Superintendent (Acting Effective July 1, 2012 through February 20, 2013)	Mr. Shawn T. Walsh

Office is located at:

702 West Maple Street
New Lenox, Illinois 60451

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56

COMPLIANCE REPORT SUMMARY

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	3	1
Repeated audit findings	1	1
Prior recommendations implemented or not repeated	0	1

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
2013-001	13a	Controls over Financial Statement Preparation	Material Weakness
2013-002	13c	Recording Obligations	Material Weakness
2013-003	13d	Payroll Reporting	Material Weakness

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

None

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56

COMPLIANCE REPORT SUMMARY (Concluded)

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

None

PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)

None

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference on September 13, 2013. Attending were Shawn Walsh, Regional Superintendent, Donna Hettman, Controller, and Tami Knight, Partner, Kemper CPA Group LLP. Responses to the recommendations were provided by Shawn Walsh, Regional Superintendent.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56

FINANCIAL STATEMENT REPORT SUMMARY

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

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

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Will County Regional Office of Education #56 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Will County Regional Office of Education #56's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Will County Regional Office of Education #56, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Illinois Municipal Retirement Fund Schedule of Funding Progress, and Other Post-Employment Benefits - Health Insurance Plan for Retired Employees Schedule of Funding Progress on pages 17a through 17f and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2014 on our consideration of the Will County Regional Office of Education #56's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Will County Regional Office of Education #56's internal control over financial reporting and compliance.

Kemper CPA Group LLP

*Certified Public Accountants
and Consultants*

Mattoon, Illinois
March 5, 2014

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 William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Will County Regional Office of Education #56, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Will County Regional Office of Education #56's basic financial statements, and have issued our report thereon dated March 5, 2014.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001, 2013-002, and 2013-003 to be material weaknesses.

Compliance and Other Matters

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

Regional Office of Education #56's Responses to Findings

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

Purpose of this Report

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

Kemper CPA Group LLP

*Certified Public Accountants
and Consultants*

Mattoon, Illinois
March 5, 2014



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

Honorable William G. Holland
Auditor General
State of Illinois

Report on Compliance for Each Major Federal Program

We have audited Will County Regional Office of Education #56's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Regional Office of Education No. 99's major federal programs for the year ended June 30, 2013. The Will County Regional Office of Education #56's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Will County Regional Office of Education #56 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



*Certified Public Accountants
and Consultants*

Mattoon, Illinois
March 5, 2014

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2013

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
● Material weakness(es) identified?	No
● Significant deficiency(ies) identified?	No
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	No

Identification of major programs:	
CFDA Number(s)	Name of Federal Program or Cluster
84.196A	McKinney Education for Homeless Children
84.287C	Title IV – 21 st Century Community Learning Centers
84.010A	Title I – School Improvement and Accountability

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding No. 2013-001 – Controls over Financial Statement Preparation (Repeated from Finding No. 12-01, 11-01 and 10-01)

Criteria/Specific Requirement:

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

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

Condition:

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

During review of the Will County Regional Office of Education #56's financial information prepared by the Will County Regional Office of Education #56, the following were noted:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts receivable, accounts payable, and unearned revenue, no entries were provided to reconcile the Will County Regional Office of Education #56's grant activity, such as posting grant receivables.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2013-001 – Controls over Financial Statement Preparation (Repeated from Finding No. 12-01, 11-01 and 10-01) (Concluded)

Effect:

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

Cause:

According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements.

Auditor's Recommendation:

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

Management's Response:

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

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2013-002 – Recording Obligations

Criteria/Specific Requirement:

Generally Accepted Accounting Principles require obligations at year end to be recorded as a liability to the entity.

Condition:

The Will County Regional Office of Education #56 prepared and signed payroll checks for their July 15, 2013, July 31, 2013, and August 15, 2013 pay periods prior to June 30, 2013, but did not disburse the checks to the employees until the appropriate pay dates. The Will County Regional Office of Education #56 posted the payroll expenditures for these pay periods to their general ledger prior to June 30, 2013 as a reduction of cash and as an expenditure.

Effect:

The Will County Regional Office of Education #56's cash and liabilities balances were understated.

Cause:

According to Regional Office officials, they were not aware of the proper reporting of obligated salaries at year end.

Auditor's Recommendation:

The Will County Regional Office of Education #56 should report obligated salaries at year end as a liability and prepare the actual payroll checks at the end of the appropriate payroll period.

Management's Response:

The Will County Regional Office of Education #56 will report obligated salaries at year end as a liability and prepare the actual payroll checks at the end of the appropriate payroll period.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2013-003 – Payroll Reporting

Criteria/Specific Requirement:

Internal Revenue Code Reg § 31.3121(d)-1 establishes that an individual is an employee if the person for whom the services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished by the work but also as to the details and means by which that result is accomplished. Revenue Ruling 87-41 further establishes the 20-factor common law test for employment status, which looks at attributes such as instruction, training, integration, services rendered personally, hiring/supervision/paying assistants, continuing relationship, set hours of work, full time required, doing work on the employer's premises, order or sequence test, oral or written reports, payment by the hour/week/month, payment of business and/or travel expenses, furnishing tools and materials, significant investment, realization of profit/loss, working for more than one firm at a time, making services available to the general public, right to discharge, and right to terminate. In an effort to provide further guidance on this matter, the Internal Revenue Service (IRS) recently revised the above 20-factor common law test for determining the proper classification of workers between independent contractors and employees by condensing the prior 20 factors into eleven main tests and organizing those tests into three main groups: 1) behavioral control, 2) financial control, and 3) the type of relationship of the parties. These three groups and the corresponding tests are further detailed in IRS Publication 15-A.

Condition:

During our testing we noted the following:

- An employee of the Regional Office was also paid as an independent contractor for accounting and clerical services related to the McKinney Education for Homeless Children grant.
- The program director of the McKinney Education for Homeless Children grant is being treated as an independent contractor; however, under the current IRS tests we believe that this individual should be classified as an employee for the following reasons:
 1. Behavioral control group: the Regional Office provides instructions to the program director by dictating when and where the grant will be administered, hiring all personnel that work in the grant, and providing the supplies, equipment, and location that the grant will utilize during its administration.
 2. Financial control group: there is no significant investment of resources by the program director other than time spent working on the grant.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS (Concluded)

Finding No. 2013-003 – Payroll Reporting (Concluded)

Condition (Concluded):

3. Type of relationship group: the program director is providing a service (grant administration) that is a key aspect of the Regional Office's regular business. In addition, all other program directors that work for the Regional Office are classified as employees rather than independent contractors.

Effect:

The Will County Regional Office of Education #56 was not in compliance with IRS rules and regulations regarding the classification of employees, which resulted in the Regional Office not withholding or remitting the employer and employee portion of payroll taxes.

Cause:

The Will County Regional Office of Education #56 was unaware of the IRS rules and regulations governing the classification of employees and independent contractors.

Auditor's Recommendation:

The Will County Regional Office of Education #56 should develop policies and procedures, such as completing IRS form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholdings for all employees, to ensure that all IRS rules and regulations are followed with regard to employee classification and that the appropriate payroll taxes are withheld and remitted to the proper federal and state authorities.

Management's Response:

The Will County Regional Office of Education #56 will contact the Internal Revenue Service (IRS) to determine the correct classification for current contractors. Furthermore, the Will County Regional Office of Education #56 will develop policies and procedures to ensure that all Internal Revenue Service (IRS) rules and regulations are followed with regard to employee classification.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

INSTANCES OF NONCOMPLIANCE:

NONE

SIGNIFICANT DEFICIENCIES:

NONE

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

CORRECTIVE ACTION PLAN

Finding No. 2013-001 – Controls over Financial Statement Preparation (Repeated from Finding No. 12-01, 11-01, and 10-01)

Condition:

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

During review of the Will County Regional Office of Education #56's financial information prepared by the Will County Regional Office of Education #56, the following were noted:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts receivable, accounts payable, and unearned revenue, no entries were provided to reconcile the Will County Regional Office of Education #56's grant activity, such as posting grant receivables.

Plan:

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

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

Anticipated Date of Completion:

Not Applicable

Contact Person Responsible for Corrective Action:

Mr. Shawn Walsh, Regional Superintendent

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

CORRECTIVE ACTION PLAN (Continued)

Finding No. 2013-002 – Recording Obligations

Condition:

The Will County Regional Office of Education #56 prepared and signed payroll checks for their July 15, 2013, July 31, 2013, and August 15, 2013 pay periods prior to June 30, 2013, but did not disburse the checks to the employees until the appropriate pay dates. The Will County Regional Office of Education #56 posted the payroll expenditures for these pay periods to their general ledger prior to June 30, 2013 as a reduction of cash and as an expenditure.

Plan:

The Will County Regional Office of Education #56 will report obligated salaries at year end as a liability and prepare the actual payroll checks at the end of the appropriate payroll period.

Anticipated Date of Completion:

June 30, 2014

Contact Person Responsible for Corrective Action:

Mr. Shawn Walsh, Regional Superintendent

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

CORRECTIVE ACTION PLAN (Concluded)

Finding No. 2013-003 – Payroll Reporting

Condition:

During our testing we noted the following:

- An employee of the Regional Office was also paid as an independent contractor for accounting and clerical services related to the McKinney Education for Homeless Children grant.
- The program director of the McKinney Education for Homeless Children grant is being treated as an independent contractor; however, under the current IRS tests we believe that this individual should be classified as an employee for the following reasons:
 1. Behavioral control group: the Regional Office provides instructions to the program director by dictating when and where the grant will be administered, hiring all personnel that work in the grant, and providing the supplies, equipment, and location that the grant will utilize during its administration.
 2. Financial control group: there is no significant investment of resources by the program director other than time spent working on the grant.
 3. Type of relationship group: the program director is providing a service (grant administration) that is a key aspect of the Regional Office's regular business. In addition, all other program directors that work for the Regional Office are classified as employees rather than independent contractors.

Plan:

The Will County Regional Office of Education #56 will contact the Internal Revenue Service (IRS) to determine the correct classification for current contractors. Furthermore, the Will County Regional Office of Education #56 will develop policies and procedures to ensure that all Internal Revenue Service (IRS) rules and regulations are followed with regard to employee classification.

Anticipated Date of Completion:

June 30, 2014

Contact Person Responsible for Corrective Action:

Mr. Shawn Walsh, Regional Superintendent

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
12-01	Controls over Financial Statement Preparation	Repeated as Finding 2013-001

MANAGEMENT'S DISCUSSION AND ANALYSIS

**WILL COUNTY REGIONAL OFFICE OF EDUCATION #56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

The Will County Regional Office of Education #56 (ROE #56) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2013, with comparative information for the year ended June 30, 2012. Readers are encouraged to consider the information in conjunction with the ROE #56's financial statements that follow.

2013 Financial Highlights

- The General Fund revenues decreased by \$292,067 (10%) from \$2,786,980 in FY 2012 to \$2,494,913 in FY 2013. The General Fund expenditures decreased by \$225,224 (9%) from \$2,416,082 in FY 2012 to \$2,190,838 in FY 2013. The decrease in revenues and expenditures was due to the proration of General State Aid payments. The General Assembly appropriated less money for General State Aid purposes. They kept the level at \$6,119 per student but they only paid 89% of that total for FY 2013.
- The Special Revenue Fund revenues decreased by \$1,033,571 (15%) from \$6,999,010 in FY 2012 to \$5,965,439 in FY 2013. The Special Revenue Fund expenditures decreased by \$900,269 (13%) from \$6,717,060 in FY 2012 to \$5,816,791 in FY 2013. The decrease in revenues and expenditures was due to a decrease in State and Federal funding.
- The Enterprise Fund revenues decreased by \$212,935 (21%) from \$1,017,411 in FY 2012 to \$804,476 in FY 2013. The Enterprise Fund expenditures decreased by \$262,056 (18%) from \$1,449,359 in FY 2012 to \$1,187,303 in FY 2013. The decrease in revenues and expenditures was due to a reduction in workshop attendance.

Using This Report

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

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

**WILL COUNTY REGIONAL OFFICE OF EDUCATION #56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Reporting the Will County Regional Office as a Whole

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

The Statement of Net Position and the Statement of Activities

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

The Office has three kinds of funds:

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

**WILL COUNTY REGIONAL OFFICE OF EDUCATION #56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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

Government-Wide Financial Analysis

As noted earlier, net position may serve when examined over time as one indicator of the financial position of the ROE #56. The net position at the end of FY 2013 and FY 2012 totaled \$5,442,970 and \$5,373,434, respectively. The analysis that follows provides a summary of the ROE #56's net position as of June 30, 2013 and 2012.

CONDENSED STATEMENT OF NET POSITION

CONDENSED STATEMENT OF NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current assets	\$ 5,927,418	\$ 5,563,541	\$ 456,326	\$ 818,866	\$ 6,383,744	\$ 6,382,407
Capital assets, net	-	360	-	-	-	360
Total assets	5,927,418	5,563,901	456,326	818,866	6,383,744	6,382,767
Current liabilities	856,724	945,570	84,050	63,763	940,774	1,009,333
Total liabilities	856,724	945,570	84,050	63,763	940,774	1,009,333
Net position:						
Invested in capital assets	-	360	-	-	-	360
Restricted for educational purposes	1,130,671	982,023	-	-	1,130,671	982,023
Unrestricted	3,940,023	3,635,948	372,276	755,103	4,312,299	4,391,051
Total net position	<u>\$ 5,070,694</u>	<u>\$ 4,618,331</u>	<u>\$ 372,276</u>	<u>\$ 755,103</u>	<u>\$ 5,442,970</u>	<u>\$ 5,373,434</u>

The ROE #56's net position increased by \$69,536 (1%) from FY 2012

**WILL COUNTY REGIONAL OFFICE OF EDUCATION #56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

CHANGES IN NET POSITION

The following analysis shows the changes in net position for the years ended June 30, 2013 and 2012.

CHANGES IN NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Operating grants and contributions	\$ 5,694,999	\$ 6,602,277	\$ -	\$ -	\$ 5,694,999	\$ 6,602,277
General revenues:						
Local sources	312,394	367,152	-	-	312,394	367,152
State sources	1,253,411	1,684,645	-	-	1,253,411	1,684,645
On-behalf payments - local	727,612	725,317	-	-	727,612	725,317
On-behalf payments - state	469,878	326,218	-	-	469,878	326,218
Fees for services	-	-	804,476	1,017,411	804,476	1,017,411
Interest	2,058	3,583	-	-	2,058	3,583
Total revenues	<u>8,460,352</u>	<u>9,709,192</u>	<u>804,476</u>	<u>1,017,411</u>	<u>9,264,828</u>	<u>10,726,603</u>
Expenses:						
Programs expenses:						
Salaries and benefits	2,205,879	1,303,582	597,600	716,071	2,803,479	2,019,653
Purchased Services	1,508,320	2,693,052	417,959	621,417	1,926,279	3,314,469
Supplies and materials	122,881	191,733	150,841	107,053	273,722	298,786
Other objects	37,938	22,886	20,903	3,602	58,841	26,488
Payments to other governments	2,935,121	3,870,354	-	-	2,935,121	3,870,354
Depreciation	360	1,440	-	1,216	360	2,656
Administrative expenses:						
On-behalf payments- local	727,612	725,317	-	-	727,612	725,317
On-behalf payments- state	469,878	326,218	-	-	469,878	326,218
Total expenses	<u>8,007,989</u>	<u>9,134,582</u>	<u>1,187,303</u>	<u>1,449,359</u>	<u>9,195,292</u>	<u>10,583,941</u>
Changes in net position	452,363	574,610	(382,827)	(431,948)	69,536	142,662
Net position, beginning of year	4,618,331	4,043,721	755,103	1,187,051	5,373,434	5,230,772
Net position, end of year	<u>\$ 5,070,694</u>	<u>\$ 4,618,331</u>	<u>\$ 372,276</u>	<u>\$ 755,103</u>	<u>\$ 5,442,970</u>	<u>\$ 5,373,434</u>

Governmental Activities

Revenues for governmental activities were \$8,460,352 and expenditures were \$8,007,989. The decreases in revenues and expenditures were due to the proration of General State Aid payments and decreases in State & Federal funding.

Business-Type Activities

Revenues for business-type activities were \$804,476 and expenses were \$1,187,303. The decrease in revenues and expenditures was due to a reduction in workshop attendance.

**WILL COUNTY REGIONAL OFFICE OF EDUCATION #56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Financial Analysis of the ROE #56 Funds

As previously noted, the ROE #56 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency's Governmental Funds reported combined fund balances amounting to \$5,070,694.

Governmental Fund Highlights

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

Proprietary Fund Highlights

Total proprietary fund net position decreased by \$382,827.

Budgetary Highlights

The ROE #56 annually adopts budgets for several funds. The Professional Development Alliance (PDA) Budget is prepared by the Executive Director of the PDA and approved by a joint Governing Board representing Will, Grundy, & Kendall Counties. The Regional Safe Schools Budget is approved by a similar board. The Education-To-Careers Executive Board approves the budgets for the ETC Partnership and the 21st Century Grant. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the County Board for their approval. The Office Operations Budget covers a fiscal year which runs from December 1 to November 30. All grant budgets are prepared by the Regional Office of Education #56 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency.

Capital Assets

ROE #56's capital assets include office equipment, computers, audio-visual equipment, and building improvements. The ROE #56 maintains an inventory of capital assets which have been accumulated over time. For FY 2013, there were no additions of capital assets. Depreciation expense for FY 2013 and FY 2012 was \$360 and \$2,656, respectively.

See Note 9 on page 47 for more information regarding capital assets.

**WILL COUNTY REGIONAL OFFICE OF EDUCATION #56
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Economic Factors and Next Year's Budget

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

- County board support for ROE #56 is expected to increase slightly from the FY 2013 funding level.
- Several federal grants are expected to be received in FY 2014 in an effort to reduce the impact of the State's current fiscal deficit on the school district operations.
- The growth in the region is stable. Student population for 2014 remains steady, with a decrease of 429 students, based on fall housing reports.

Contacting the Regional Office's Financial Management

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

BASIC FINANCIAL STATEMENTS

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 5,039,319	\$ 243,907	\$ 5,283,226
Accounts receivable	360	66,690	67,050
Due (to) from other funds	(133,720)	133,720	-
Due from other governments:			
Local	488	12,009	12,497
State	69,565	-	69,565
Federal	931,406	-	931,406
Prepaid expenses	20,000	-	20,000
TOTAL ASSETS	5,927,418	456,326	6,383,744
LIABILITIES			
Current Liabilities:			
Accounts payable	784,176	78,384	862,560
Accrued payroll	62,153	-	62,153
Due to other governments:			
State	9,908	-	9,908
Federal	487	-	487
Unearned revenue	-	5,666	5,666
Total Current Liabilities	856,724	84,050	940,774
NET POSITON			
Restricted for educational purposes	1,130,671	-	1,130,671
Unrestricted	3,940,023	372,276	4,312,299
TOTAL NET POSITION	\$ 5,070,694	\$ 372,276	\$ 5,442,970

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary Government:						
Governmental Activities:						
Instructional Services						
Salaries and benefits	\$ 2,205,879	\$ -	\$ 1,775,520	\$ (430,359)	\$ -	\$ (430,359)
Purchased services	1,508,320	-	954,622	(553,698)	-	(553,698)
Supplies and materials	122,881	-	29,736	(93,145)	-	(93,145)
Other objects	37,938	-	-	(37,938)	-	(37,938)
Depreciation expense	360	-	-	(360)	-	(360)
Payments to other governments	2,935,121	-	2,935,121	-	-	-
Administrative:						
On-behalf payments - Local	727,612	-	-	(727,612)	-	(727,612)
On-behalf payments - State	469,878	-	-	(469,878)	-	(469,878)
Total Governmental Activities	<u>8,007,989</u>	<u>-</u>	<u>5,694,999</u>	<u>(2,312,990)</u>	<u>-</u>	<u>(2,312,990)</u>
Business-Type Activities:						
Fees for services	1,187,303	804,476	-	-	(382,827)	(382,827)
Total Business-Type Activities	<u>1,187,303</u>	<u>804,476</u>	<u>-</u>	<u>-</u>	<u>(382,827)</u>	<u>(382,827)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 9,195,292</u>	<u>\$ 804,476</u>	<u>\$ 5,694,999</u>	<u>(2,312,990)</u>	<u>(382,827)</u>	<u>(2,695,817)</u>
GENERAL REVENUES:						
Local sources				312,394	-	312,394
State sources				1,253,411	-	1,253,411
On-behalf payments - Local				727,612	-	727,612
On-behalf payments - State				469,878	-	469,878
Interest				2,058	-	2,058
Total General Revenues				<u>2,765,353</u>		<u>2,765,353</u>
CHANGE IN NET POSITION				452,363	(382,827)	69,536
NET POSITION - BEGINNING				4,618,331	755,103	5,373,434
NET POSITION - ENDING				<u>\$ 5,070,694</u>	<u>\$ 372,276</u>	<u>\$ 5,442,970</u>

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Institute Fund	Education Fund	Professional Development Alliance	Non-Major Funds	Eliminations	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 3,876,089	\$ 972,350	\$ 18,561	\$ -	\$ 172,319	\$ -	\$ 5,039,319
Accounts receivable	-	-	-	-	360	-	360
Due from other funds	98,096	-	-	-	-	(98,096)	-
Due from other governments:							
Local	-	-	-	-	488	-	488
State	-	-	49,745	19,820	-	-	69,565
Federal	-	-	76,950	854,456	-	-	931,406
Prepaid expenses	20,000	-	-	-	-	-	20,000
TOTAL ASSETS	<u>\$ 3,994,185</u>	<u>\$ 972,350</u>	<u>\$ 145,256</u>	<u>\$ 874,276</u>	<u>\$ 173,167</u>	<u>\$ (98,096)</u>	<u>\$ 6,061,138</u>
LIABILITIES							
Accounts payable	\$ 10,216	\$ 12,850	\$ 18,558	\$ 740,556	\$ 1,996	\$ -	\$ 784,176
Accrued payroll	43,946	-	18,207	-	-	-	62,153
Due to other funds	-	-	98,096	133,720	-	(98,096)	133,720
Due to other governments:							
State	-	-	9,908	-	-	-	9,908
Federal	-	-	487	-	-	-	487
Total Liabilities	<u>54,162</u>	<u>12,850</u>	<u>145,256</u>	<u>874,276</u>	<u>1,996</u>	<u>(98,096)</u>	<u>990,444</u>
FUND BALANCE (DEFICIT)							
Nonspendable	20,000	-	-	-	-	-	20,000
Restricted	-	959,500	-	-	171,171	-	1,130,671
Unassigned	3,920,023	-	-	-	-	-	3,920,023
Total Fund Balances (Deficit)	<u>3,940,023</u>	<u>959,500</u>	<u>-</u>	<u>-</u>	<u>171,171</u>	<u>-</u>	<u>5,070,694</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ 3,994,185</u>	<u>\$ 972,350</u>	<u>\$ 145,256</u>	<u>\$ 874,276</u>	<u>\$ 173,167</u>	<u>\$ (98,096)</u>	<u>\$ 6,061,138</u>

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Institute Fund	Education Fund	Professional Development Alliance	Non-Major Funds	Total Governmental Funds
REVENUES						
Local sources	\$ 45,827	\$ 166,945	\$ -	\$ -	\$ 99,622	\$ 312,394
On-behalf payments - Local	727,612	-	-	-	-	727,612
State sources	1,249,965	-	519,921	230,520	3,246	2,003,652
On-behalf payments - State	469,878	-	-	-	-	469,878
Federal sources	-	-	1,155,513	3,789,245	-	4,944,758
Total Revenues	<u>2,493,282</u>	<u>166,945</u>	<u>1,675,434</u>	<u>4,019,765</u>	<u>102,868</u>	<u>8,458,294</u>
EXPENDITURES						
Instructional Services:						
Salaries and benefits	430,359	-	844,235	931,285	-	2,205,879
Purchased services	452,496	46,436	530,387	424,235	54,766	1,508,320
Supplies and materials	80,861	295	14,262	15,474	11,989	122,881
Other objects	29,632	7,956	200	-	150	37,938
Payments to other governments	-	-	286,350	2,648,771	-	2,935,121
On-behalf payments	1,197,490	-	-	-	-	1,197,490
Total Expenditures	<u>2,190,838</u>	<u>54,687</u>	<u>1,675,434</u>	<u>4,019,765</u>	<u>66,905</u>	<u>8,007,629</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>302,444</u>	<u>112,258</u>	<u>-</u>	<u>-</u>	<u>35,963</u>	<u>450,665</u>
OTHER FINANCING SOURCES:						
Interest	1,631	427	-	-	-	2,058
Total Other Financing Sources	<u>1,631</u>	<u>427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,058</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	304,075	112,685	-	-	35,963	452,723
FUND BALANCES (DEFICIT) - BEGINNING	<u>3,635,948</u>	<u>846,815</u>	<u>-</u>	<u>-</u>	<u>135,208</u>	<u>4,617,971</u>
FUND BALANCES (DEFICIT) - ENDING	<u>\$ 3,940,023</u>	<u>\$ 959,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171,171</u>	<u>\$ 5,070,694</u>

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

NET CHANGE IN FUND BALANCE — GOVERNMENTAL FUNDS \$ 452,723

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.

Depreciation expense (360)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 452,363

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business Type Activities - Enterprise Fund		
	Local PDA Funds	Criminal Background Investigation	Total
	ASSETS		
Cash and cash equivalents	\$ 166,764	\$ 77,143	\$ 243,907
Accounts receivable	66,690	-	66,690
Due from other funds	133,720	-	133,720
Due from other governments:			
Local	-	12,009	12,009
TOTAL ASSETS	367,174	89,152	456,326
LIABILITIES			
Accounts payable	72,918	5,466	78,384
Unearned revenue	5,666	-	5,666
TOTAL LIABILITIES	78,584	5,466	84,050
NET POSITION			
Unrestricted	288,590	83,686	372,276
TOTAL NET POSITION	\$ 288,590	\$ 83,686	\$ 372,276

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business Type Activities - Enterprise Fund		
	Local	Criminal	Total
	PDA Funds	Background Investigation	
OPERATING REVENUES			
Fees for services	\$ 690,636	\$ 113,840	\$ 804,476
Total Operating Revenues	690,636	113,840	804,476
OPERATING EXPENSES			
Salaries and benefits	597,600	-	597,600
Purchased services	341,208	76,751	417,959
Supplies and materials	150,841	-	150,841
Other objects	20,853	50	20,903
Total Operating Expenses	1,110,502	76,801	1,187,303
Operating Income (Loss)	(419,866)	37,039	(382,827)
CHANGE IN NET POSITION	(419,866)	37,039	(382,827)
TOTAL NET POSITION - BEGINNING	708,456	46,647	755,103
TOTAL NET POSITION - ENDING	\$ 288,590	\$ 83,686	\$ 372,276

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business Type Activities - Enterprise Funds		Totals
	Local PDA Funds	Criminal Background Investigation	
Cash Flows from Operating Activities:			
Receipts from customers	\$ 651,181	\$ 104,242	\$ 755,423
Payments to suppliers and providers of goods and services	(487,142)	(79,567)	(566,709)
Payments to employees	(597,600)	-	(597,600)
Net Cash Provided by (Used for) Operating Activities	<u>(433,561)</u>	<u>24,675</u>	<u>(408,886)</u>
Cash Flows from Noncapital Financing Activities:			
Payments for interfund borrowing, net	(91,682)	-	(91,682)
Net Cash Used for Noncapital Financing Activities	<u>(91,682)</u>	<u>-</u>	<u>(91,682)</u>
Net Increase (Decrease) in Cash	(525,243)	24,675	(500,568)
Cash and cash equivalents - Beginning	692,007	52,468	744,475
Cash and cash equivalents - Ending	<u>\$ 166,764</u>	<u>\$ 77,143</u>	<u>\$ 243,907</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ (419,866)	\$ 37,039	\$ (382,827)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
(Increase) in accounts receivable	(36,748)	-	(36,748)
(Increase) in due from other governments	-	(9,598)	(9,598)
(Decrease) in unearned revenue	(2,707)	-	(2,707)
Increase (decrease) in accounts payable	25,760	(2,766)	22,994
Net Cash Provided by (Used for) Operating Activities	<u>\$ (433,561)</u>	<u>\$ 24,675</u>	<u>\$ (408,886)</u>

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

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 JUNE 30, 2013

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ -
TOTAL ASSETS	\$ -
 LIABILITIES	
Due to other governments	\$ -
TOTAL LIABILITIES	\$ -

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In 2013, the Will County Regional Office of Education #56 implemented Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*; and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Will County Regional Office of Education #56 implemented these standards during the current year; however, GASB Statement No. 60, and GASB Statement No. 61 had no impact on the financial statements. The implementation of GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflow of resources.

A. DATE OF MANAGEMENT’S REVIEW

Regional Office of Education #56 has evaluated subsequent events through March 5, 2014, the date when the financial statements were available to be issued.

B. FINANCIAL REPORTING ENTITY

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

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FINANCIAL REPORTING ENTITY (Concluded)

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

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

For the period ended June 30, 2013, the Will County Regional Office of Education #56 applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in Will County Regional Office of Education #56. Such activities are reported as a single special revenue fund (Education Fund).

C. SCOPE OF THE REPORTING ENTITY

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

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

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SCOPE OF THE REPORTING ENTITY (Concluded)

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

D. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Separate financial statements are provided for governmental funds, 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.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

E. PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

G. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Concluded)

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

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

H. FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

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

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

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

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

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

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

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

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

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

Major Special Revenue Funds (Continued)

Education (Concluded)

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

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

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

Title IV - 21st Century Community Learning Centers - 08/10 - Accounts for monies received for, and payment of, expenditures of the 21st Century Learning Centers Grant. The purpose of this grant is to create community learning centers that provide academic enrichment opportunities for children, particularly students who attend high-poverty and low performing schools.

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

Career Seekers - Accounts for monies received for, and payment of, expenditures of the Workforce Investment Act Grant. The purpose of this grant is to provide training programs including, tutoring, mentoring, and skills training for underprivileged youth.

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Concluded)

Major Special Revenue Funds (Concluded)

PDA (Concluded)

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

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

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

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

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

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

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

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

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Concluded)

Nonmajor Special Revenue Funds (Concluded)

Lambert - Accounts for private donations which are donor restricted for the support, health, welfare and education of worthy poor children residing within Will County.

PROPRIETARY FUNDS

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

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

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

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to account for assets held by the Regional Office of Education #56 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. Agency Funds include the following:

Will County Area Career Cluster - Accounts for activity from Will County Area Career Center and the Regional Office passes distributive fund monies to the Center when the state funding is received.

I. GOVERNMENTAL FUND BALANCES

Fund balance is the difference between assets and liabilities in a governmental fund. The following types of fund balances may be presented in the Governmental Funds Balance Sheet and Governmental Funds Combining Schedule of Accounts:

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. GOVERNMENTAL FUND BALANCES (Concluded)

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

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

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

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

J. NET POSITION

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

Investment in capital assets - Consists of capital assets, net of accumulated depreciation.

Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position that do not meet the definition of "restricted" or "investment in capital assets."

K. CASH AND CASH EQUIVALENTS

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. INVENTORY

Inventory is not recorded. The cost is recorded as an expenditure at the time individual inventory items are purchased.

M. CAPITAL ASSETS

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

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

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

N. COMPENSATED ABSENCES

The employees of the Regional Office earn vacation days based on the number of full-time years worked as follows: 10 days for full-time staff employed 5 years or less; 15 days for full-time staff employed more than 5 years; 20 days for full-time consultants. Vacation days do not accumulate; therefore, no liability is accrued.

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

O. ESTIMATES

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

P. BUDGET INFORMATION

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

Budgetary comparison schedules have been provided in supplementary schedules for the following funds: Title II - Teacher Quality, McKinney Education for Homeless Children, Regional Safe Schools, Title IV - 21st Century Community Learning Centers - 08/10, Truants Alternative/Optional Education, ROE/ISC Operations, Technology for Success, Title II - Teacher Quality, Title I - School Improvement and Accountability and Grundy/Kendall County ROE/ISC Operations.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

A. DEPOSITS

At June 30, 2013, the carrying amount of the Will County Regional Office of Education #56's government-wide and Agency fund deposits were \$5,283,226 and \$-0-, respectively, and the bank balances were \$5,615,769 and \$-0-, respectively. Of the total bank balances as of June 30, 2013, \$500,000 was secured by Federal Depository Insurance Corporation (FDIC), \$691,618 was invested in the Illinois Funds Money Market Fund, \$1,305,586 was collateralized by securities pledged by the Regional Office of Education #56's financial institution in the name of the Regional Office, and \$3,118,565 was secured by repurchase agreements, commercial paper, and U.S. government bonds.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 – DEPOSITS AND INVESTMENTS (Concluded)

B. INVESTMENTS

The Will County Regional Office of Education #56 requires that funds be invested solely in investments authorized by the Public Funds Investment Act, 30 ILCS 235/2. As noted above, as of June 30, 2013, the Will County Regional Office of Education #56 had investments with a carrying and fair value of \$691,618 invested in the Illinois Funds Money Market and \$3,118,565 was secured by repurchase agreements, commercial paper, and U.S. government bonds.

CREDIT RISK

At June 30, 2013, the Illinois Funds Money Market Fund had a Standard and Poor's AAAM rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investments Act, 30 ILCS 235. All investments are fully collateralized.

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

INTEREST RATE RISK

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

CONCENTRATION OF CREDIT RISK

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 3 – DEFINED BENEFIT PENSION PLAN

Plan Description. The Regional Office of Education #56’s defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Regional Office of Education #56’s plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. 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 financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy. As set by statute, the Will County Regional Office of Education #56’s Regular plan members are required to contribute 4.50 percent 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 employer annual required contribution rate for calendar year 2012 was 11.86. The employer 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 the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. The required contribution for calendar year 2012 was \$78,327.

A. TREND INFORMATION

Calendar Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12/31/12	\$78,327	100%	\$0
12/31/11	72,772	96%	0
12/31/10	64,795	100%	0

The required contribution for 2012 was determined as part of the December 31, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of your employer Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Will County Regional Office of Education #56’s Regular plan’s unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll on an open 10 year basis.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Concluded)

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the Regular plan was 88.26 percent funded. The actuarial accrued liability for benefits was \$1,211,837 and the actuarial value of assets was \$1,069,609, resulting in an underfunded actuarial accrued liability (UAAL) of \$142,228. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$660,426 and the ratio of the UAAL to the covered payroll was 22 percent.

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

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

The Will County Regional Office of Education #56 participates in the Teachers’ Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago.

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 State of Illinois maintains primary responsibility for funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system’s administration.

TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2013, was 9.4 percent of creditable earnings. The same contribution rate applies to members whose first contributing service is on or after January 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4 percent for the years ended June 30, 2012 and 2011.

The State of Illinois makes contributions directly to TRS on behalf of the Will County Regional Office of Education #56’s TRS-covered employees.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

On behalf contributions. The State of Illinois makes employer pension contributions on behalf of the Will County Regional Office of Education #56. For the year ended June 30, 2013, State of Illinois contributions were based on 28.05 percent of creditable earnings not paid from federal funds and the Will County Regional Office of Education #56 recognized revenue and expenditures of \$260,496 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2012 and June 30, 2011, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 24.91 percent (\$96,455) and 23.10 percent (\$80,228), respectively.

The Will County Regional Office of Education #56 makes other types of employer contributions directly to TRS.

2.2 formula contributions. Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2013 were \$6,593. Contributions for the years ending June 30, 2012 and June 30, 2011, were \$2,393 and \$1,296, respectively.

Federal and special trust fund contributions. When TRS members are paid from federal and special trust funds administered by the Will County Regional Office of Education #56, there is a statutory requirement for the Will County Regional Office of Education #56 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the State contribution rate to TRS.

For the year ended June 30, 2013, the employer pension contribution was 28.05 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2012 and 2011, the employer pension contribution was 24.91 and 23.10 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2013 salaries totaling \$351,822 were paid from federal and special trust funds that required employer contributions of \$98,686. For the years ended June 30, 2012 and June 30, 2011, required Will County Regional Office of Education #56 contributions were \$55,833 and \$15,590, respectively.

Early Retirement Option. The Will County Regional Office of Education #56 is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member.

The maximum employer ERO contribution under the current program is 117.5 percent and applies when the member is age 55 at retirement.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

For the years ended, June 30, 2013, 2012, and 2011 the Regional Office of Education #56 paid no employer ERO contributions.

Salary increases over 6 percent and excess sick leave. If the Will County Regional Office of Education #56 grants salary increases over 6 percent and those salaries are used to calculate a retiree’s final average salary, the Will County Regional Office of Education #56 makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increase of up to 6 percent.

For the year ended June 30, 2013, the Regional Office of Education #56 paid \$-0- to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2012 and June 30, 2011, the district paid \$-0- and \$8,804 to TRS for employer contributions due on salary increases in excess of 6 percent, respectively.

If the Will County Regional Office of Education #56 grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the Will County Regional Office of Education #56 makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary rate reported by the granting employer during the four-year sick leave review period, and the TRS total normal cost rate (17.63 percent of salary during the year ended June 30, 2013).

For the years ended June 30, 2013, 2012, and 2011 the Will County Regional Office of Education #56 paid no employer contributions to TRS for sick leave days granted in the excess of the normal annual allotment.

Further information on TRS. TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and State funding requirements can be found in the TRS Comprehensive Annual Financial Report for year ended June 30, 2012. The report for the year ended June 30, 2013, is expected to be available in late 2013.

The reports may be obtained by writing to the Teachers’ Retirement System of the State of Illinois, 2815 West Washington Street, P.O. Box 19253, Springfield, Illinois 62794-9253. The most current report is also available on the TRS Web site at <http://trs.illinois.gov>.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 – TEACHERS’ HEALTH INSURANCE SECURITY FUND

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

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

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

On behalf contributions. The State of Illinois makes employer retiree health insurance contributions on behalf of Regional Office of Education #56. State contributions are intended to match contributions to THIS Fund from active members which were 0.92 percent of pay during the year ended June 30, 2013. State of Illinois contributions were \$10,336, and Regional Office of Education #56 recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2012 and June 30, 2011, were 0.88 percent of pay, both years. State contributions on behalf of the Regional Office of Education #56 employees were \$3,631 and \$1,965, respectively.

Employer contributions to THIS Fund. The Regional Office of Education #56 also makes contributions to THIS Fund. The employer THIS Fund contribution was 0.69 percent during the year ended June 30, 2013 and 0.66 percent during the years ended June 30, 2012 and June 30, 2011. For the year ended June 30, 2013, the Regional Office of Education #56 paid \$7,752 to the THIS Fund. For the years ended June 30, 2012 and 2011, the Regional Office of Education #56 paid \$2,723 and \$1,474 to THIS Fund, respectively, which was 100 percent of the required contribution.

Further information on THIS Fund. The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General: <http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>. The 2013 report is listed under “Central Management Services.” Prior reports are available under “Healthcare and Family Services.”

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 6 – INTERFUND ACTIVITY

DUE TO/FROM OTHER FUNDS

Interfund due to/from other fund balances at June 30, 2013 consist of the following individual due to/from other funds in the governmental funds balance sheet. The balances between governmental funds were eliminated in the government-wide Statement of Net Position.

	Due From Other Funds	Due To Other Funds
Education Fund	\$ -	\$ 98,096
Professional Development Alliance Fund	-	133,720
General Fund	98,096	-
Proprietary Fund	133,720	-
Total	\$ 231,816	\$ 231,816

NOTE 7 – RISK MANAGEMENT

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

NOTE 8 – OPERATING LEASE

Will County Regional Office of Education #56 rents office space from Professional Development Alliance Fund operations. The lease agreement, which originally commenced on June 1, 2012 will expire on May 31, 2015. Rental expense for the year ended June 30, 2013 was \$96,000.

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

Fiscal Year	Amount
2014	\$ 96,000
2015	88,000
Total	\$ 184,000

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9 – CAPITAL ASSET ACTIVITY

In accordance with GASB Statement No. 34, the Will County Regional Office of Education #56 has reported capital assets in the government-wide Statement of Net Position. Purchases are reported as capital outlay in the governmental fund statements. Purchases of business-type activities are capitalized when purchased. The Regional Office’s assets are composed of furniture and equipment. The following table provides a summary of changes in total assets, accumulated depreciation, and investment in capital assets for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental Activities:				
Equipment	\$ 54,766	\$ -	\$ -	\$ 54,766
Building Improvements	90,439	-	-	90,439
Governmental Activities Total Assets	<u>145,205</u>	<u>-</u>	<u>-</u>	<u>145,205</u>
Less Accumulated Depreciation	144,845	360	-	145,205
Total Accumulated Depreciation	<u>144,845</u>	<u>360</u>	<u>-</u>	<u>145,205</u>
Governmental Activities				
Investment in Capital Assets, Net	<u>\$ 360</u>	<u>\$ 360</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type Activities:				
Equipment	\$ 37,508	\$ -	\$ -	\$ 37,508
Business-type Activities Total Assets	<u>37,508</u>	<u>-</u>	<u>-</u>	<u>37,508</u>
Less Accumulated Depreciation	37,508	-	-	37,508
Total Accumulated Depreciation	<u>37,508</u>	<u>-</u>	<u>-</u>	<u>37,508</u>
Business-type Activities				
Investment in Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2013 of \$360 and \$-0- was charged to the governmental activities and the business-type activities, respectively, on the government-wide Statement of Activities. Investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10 – ON-BEHALF PAYMENTS

Will County pays certain expenditures on behalf of the Regional Office of Education #56. The expenditures paid by Will County for the year ended June 30, 2013, were as follows:

Salaries and Benefits	\$ 681,529
Purchased Services	39,533
Supplies and Materials	<u>6,550</u>
	<u>\$ 727,612</u>

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

Regional Superintendent Salary	\$ 92,445
Assistant Regional Superintendent Salary	64,592
Regional Superintendent Fringe Benefit (Includes State paid insurance)	16,525
Assistant Regional Superintendent Fringe Benefit (Includes State paid insurance)	25,484
TRS Pension Contributions	260,496
Teachers' Health Insurance Security (THIS) Fund Contributions	<u>10,336</u>
Total	<u>\$ 469,878</u>

NOTE 11 – DUE TO/FROM OTHER GOVERNMENTS

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

Due From Other Governments:

<u>Education Fund</u>	
Illinois State Board of Education	\$ 126,695
<u>Professional Development Alliance Fund</u>	
Illinois State Board of Education	874,276
<u>Proprietary Fund</u>	
Local Governments	12,009
<u>Special Revenue Fund</u>	
Local Governments	<u>488</u>
Total	<u>\$ 1,013,468</u>

Due To Other Governments:

<u>Education Fund</u>	
Illinois State Board of Education	<u>\$ 10,395</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE

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

Membership in the plan consisted of the following as of:

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

Schedule of Funding Progress

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

Annual OPEB Cost and Net OPEB Obligation

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE (Continued)

Three-Year Trend Information

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

Annual Required Contribution

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

Funding Policy and Actuarial Assumptions

Contribution rates:

Employer	
Plan members	0.00%

Actuarial valuation date 6/30/2012

Actuarial cost method Entry age

Amortization period Level percentage of pay, open

Remaining amortization period 30 years

Asset valuation method Market

Actuarial assumptions:

Investment rate of return* 5.00%

Projected salary increases 5.00%

Healthcare inflation rate 8.00% initial, 6.00% ultimate

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

Active utilization rate: 20%

Employer provided benefit Explicit: None

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

* Includes inflation at 3.00%

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE (Concluded)

GASB 45 Summary as of June 30, 2012

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

Discount Rate: 5.0%

Medical Inflation Rate: 8.0% initial, 6.0% ultimate

Future Payroll Increases: 5.0%

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

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS
(UNAUDITED)
JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/12	\$ 1,069,609	\$ 1,211,837	\$ 142,228	88.26%	\$ 660,426	21.54%
12/31/11	915,485	1,067,894	152,409	85.73%	651,499	23.39%
12/31/10	782,961	978,744	195,783	80.00%	667,306	29.34%

On a market value basis, the actuarial value of assets as of December 31, 2012, is \$1,099,968. On a market basis, the funded ratio would be 90.77%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with Professional Development Alliance ROE. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

OTHER POST-EMPLOYMENT BENEFITS - HEALTH INSURANCE
PLAN FOR RETIRED EMPLOYEES
SCHEDULE OF FUNDING PROGRESS
(UNAUDITED)
JUNE 30, 2013

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

OTHER SUPPLEMENTAL INFORMATION

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
JUNE 30, 2013

	General Operations	General State Aid	Lincoln School	TOTALS
ASSETS				
Cash and cash equivalents	\$ 26,607	\$ 3,807,530	\$ 41,952	\$ 3,876,089
Due from other funds	-	98,096	-	98,096
Prepaid Expenses	-	20,000	-	20,000
TOTAL ASSETS	\$ 26,607	\$ 3,925,626	\$ 41,952	\$ 3,994,185
LIABILITIES				
Accounts payable	\$ -	\$ 10,216	\$ -	\$ 10,216
Accrued payroll	-	39,068	4,878	43,946
Total Liabilities	-	49,284	4,878	54,162
FUND BALANCE (DEFICIT)				
Nonspendable	-	20,000	-	20,000
Unassigned	26,607	3,856,342	37,074	3,920,023
Total Fund Balance (Deficit)	26,607	3,876,342	37,074	3,940,023
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 26,607	\$ 3,925,626	\$ 41,952	\$ 3,994,185

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2013

	General Operations	General State Aid	Lincoln School	TOTALS
REVENUES				
Local sources	\$ 10,155	\$ -	\$ 35,672	\$ 45,827
On-behalf payments - Local	727,612	-	-	727,612
State sources	-	1,249,965	-	1,249,965
On-behalf payments - State	469,878	-	-	469,878
Total Revenues	<u>1,207,645</u>	<u>1,249,965</u>	<u>35,672</u>	<u>2,493,282</u>
EXPENDITURES				
Salaries and benefits	-	429,725	634	430,359
Purchased services	2,732	446,065	3,699	452,496
Supplies and materials	6,125	68,393	6,343	80,861
Other objects	5,892	6,825	16,915	29,632
On-behalf payments	1,197,490	-	-	1,197,490
Total Expenditures	<u>1,212,239</u>	<u>951,008</u>	<u>27,591</u>	<u>2,190,838</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,594)</u>	<u>298,957</u>	<u>8,081</u>	<u>302,444</u>
OTHER FINANCING SOURCES				
Interest	48	1,583	-	1,631
Total Other Financing Sources	<u>48</u>	<u>1,583</u>	<u>-</u>	<u>1,631</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	<u>(4,546)</u>	<u>300,540</u>	<u>8,081</u>	<u>304,075</u>
FUND BALANCE (DEFICIT) - BEGINNING	<u>31,153</u>	<u>3,575,802</u>	<u>28,993</u>	<u>3,635,948</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ 26,607</u>	<u>\$ 3,876,342</u>	<u>\$ 37,074</u>	<u>\$ 3,940,023</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2013

	Title II - Teacher Quality	McKinney Education for Homeless Children	Regional Safe Schools	Title IV - 21st Century Community Learning Centers - 08
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 487
Due from other governments:				
State	-	-	49,745	-
Federal	17,400	40,894	-	-
TOTAL ASSETS	\$ 17,400	\$ 40,894	\$ 49,745	\$ 487
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	10,041	-
Due to other funds	17,400	40,894	39,704	-
Due to other governments:				
State	-	-	-	-
Federal	-	-	-	487
Total Liabilities	17,400	40,894	49,745	487
FUND BALANCE (DEFICIT)				
Restricted	-	-	-	-
Total Fund Balance (Deficit)	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 17,400	\$ 40,894	\$ 49,745	\$ 487

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2013

	Title IV - 21st Century Community Learning Centers - 10	Truants Alternative/Optional Education	Career Seekers	TOTALS
ASSETS				
Cash and cash equivalents	\$ -	\$ 18,074	\$ -	\$ 18,561
Due from other governments:				
State	-	-	-	49,745
Federal	18,656	-	-	76,950
TOTAL ASSETS	\$ 18,656	\$ 18,074	\$ -	\$ 145,256
LIABILITIES				
Accounts payable	\$ 18,558	\$ -	\$ -	\$ 18,558
Accrued payroll	-	8,166	-	18,207
Due to other funds	98	-	-	98,096
Due to other governments:				
State	-	9,908	-	9,908
Federal	-	-	-	487
Total Liabilities	18,656	18,074	-	145,256
FUND BALANCE (DEFICIT)				
Restricted	-	-	-	-
Total Fund Balance (Deficit)	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 18,656	\$ 18,074	\$ -	\$ 145,256

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2013

	Title II - Teacher Quality	McKinney Education for Homeless Children	Regional Safe Schools	Title IV - 21st Century Community Learning Centers - 08
REVENUES				
State sources	\$ -	\$ -	\$ 310,652	\$ -
Federal sources	17,400	462,859	-	74,103
Total Revenues	<u>17,400</u>	<u>462,859</u>	<u>310,652</u>	<u>74,103</u>
EXPENDITURES				
Salaries and benefits	-	-	273,343	52,871
Purchased services	17,400	168,575	37,309	20,988
Supplies and materials	-	7,934	-	244
Other objects	-	-	-	-
Payments to other governments	-	286,350	-	-
Total Expenditures	<u>17,400</u>	<u>462,859</u>	<u>310,652</u>	<u>74,103</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2013

	Title IV - 21st Century Community Learning Centers - 10	Truants Alternative/Optional Education	Career Seekers	TOTALS
REVENUES				
State sources	\$ -	\$ 209,269	\$ -	\$ 519,921
Federal sources	600,529	-	622	1,155,513
Total Revenues	<u>600,529</u>	<u>209,269</u>	<u>622</u>	<u>1,675,434</u>
EXPENDITURES				
Salaries and benefits	333,855	184,166	-	844,235
Purchased services	260,745	25,103	267	530,387
Supplies and materials	5,929	-	155	14,262
Other objects	-	-	200	200
Payments to other governments	-	-	-	286,350
Total Expenditures	<u>600,529</u>	<u>209,269</u>	<u>622</u>	<u>1,675,434</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TITLE II - TEACHER QUALITY
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
REVENUE			
Federal sources	\$ 17,400	\$ 39,021	\$ 17,400
Total Revenue	<u>17,400</u>	<u>39,021</u>	<u>17,400</u>
EXPENDITURES			
Purchased services	17,400	39,021	17,400
Total Expenditures	<u>17,400</u>	<u>39,021</u>	<u>17,400</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	-	-
FUND BALANCE (DEFICIT)- BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
MCKINNEY EDUCATION FOR HOMELESS CHILDREN
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 452,034	\$ 462,034	\$ 462,859
Total Revenue	<u>452,034</u>	<u>462,034</u>	<u>462,859</u>
EXPENDITURES			
Purchased services	152,844	162,844	168,575
Supplies and materials	5,340	5,340	7,934
Capital outlay	500	500	-
Payments to other governments	293,350	293,350	286,350
Total Expenditures	<u>452,034</u>	<u>462,034</u>	<u>462,859</u>
NET CHANGE IN FUND BALANCE (DEFICIT)			
	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING			
	-	-	-
FUND BALANCE (DEFICIT) - ENDING			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
REGIONAL SAFE SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 72,562	\$ 312,418	\$ 310,652
Total Revenue	<u>72,562</u>	<u>312,418</u>	<u>310,652</u>
EXPENDITURES			
Salaries and benefits	45,483	276,330	273,343
Purchased services	27,079	36,088	37,309
Total Expenditures	<u>72,562</u>	<u>312,418</u>	<u>310,652</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TITLE IV - 21ST CENTURY COMMUNITY LEARNING CENTERS - 08
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 590,625	\$ 590,625	\$ 74,103
Total Revenue	<u>590,625</u>	<u>590,625</u>	<u>74,103</u>
EXPENDITURES			
Salaries and benefits	290,989	290,989	52,871
Purchased services	253,766	253,766	20,988
Supplies and materials	22,620	22,620	244
Payments to other governments	23,250	23,250	-
Total Expenditures	<u>590,625</u>	<u>590,625</u>	<u>74,103</u>
NET CHANGE IN FUND BALANCE (DEFICIT)			
	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING			
	-	-	-
FUND BALANCE (DEFICIT) - ENDING			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Revenues and expenditures are less than budgeted amounts because the grant was extended through August 31, 2012 and only part of the grant was received and expended in the current fiscal year.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TITLE IV - 21ST CENTURY COMMUNITY LEARNING CENTERS - 10 (12-4421-10)
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 743,200	\$ 743,200	\$ 93,151
Total Revenue	<u>743,200</u>	<u>743,200</u>	<u>93,151</u>
EXPENDITURES			
Salaries and benefits	359,485	359,485	58,894
Purchased services	315,597	315,597	31,603
Supplies and materials	21,618	21,618	2,654
Payments to other governments	46,500	46,500	-
Total Expenditures	<u>743,200</u>	<u>743,200</u>	<u>93,151</u>
NET CHANGE IN FUND BALANCE (DEFICIT)			
	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING			
	-	-	-
FUND BALANCE (DEFICIT) - ENDING			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Revenues and expenditures are less than budgeted amounts because the grant was extended through August 31, 2012 and only part of the grant was received and expended in the current fiscal year.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TITLE IV - 21ST CENTURY COMMUNITY LEARNING CENTERS - 10 (13-4421-10)
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 557,400	\$ 557,400	\$ 507,378
Total Revenue	<u>557,400</u>	<u>557,400</u>	<u>507,378</u>
EXPENDITURES			
Salaries and benefits	294,098	294,098	274,961
Purchased services	249,445	249,445	229,142
Supplies and materials	13,857	13,857	3,275
Total Expenditures	<u>557,400</u>	<u>557,400</u>	<u>507,378</u>
NET CHANGE IN FUND BALANCE (DEFICIT)			
	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING			
	-	-	-
FUND BALANCE (DEFICIT) - ENDING			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Revenues and expenditures are less than budgeted amounts because the grant was extended through August 31, 2013 and only part of the grant was received and expended in the current fiscal year.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TRUANTS ALTERNATIVE/OPTIONAL EDUCATION
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 239,684	\$ 239,684	209,269
Total Revenue	<u>239,684</u>	<u>239,684</u>	<u>209,269</u>
EXPENDITURES			
Salaries and benefits	210,542	210,542	184,166
Purchased services	29,142	29,142	25,103
Total Expenditures	<u>239,684</u>	<u>239,684</u>	<u>209,269</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING SCHEDULE OF ACCOUNTS
PROFESSIONAL DEVELOPMENT ALLIANCE FUND
JUNE 30, 2013

	ROE/ISC Operations	Technology for Success	Title II - Teacher Quality	Title I - School Improvement and Accountability	Grundy/Kendall County ROE/ISC Operations	TOTALS
ASSETS						
Due from other governments:						
State	\$ 7,163	\$ 9,193	\$ -	\$ -	\$ 3,464	\$ 19,820
Federal	-	-	-	854,456	-	854,456
Total Assets	<u>\$ 7,163</u>	<u>\$ 9,193</u>	<u>\$ -</u>	<u>\$ 854,456</u>	<u>\$ 3,464</u>	<u>\$ 874,276</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	740,556	\$ -	\$ 740,556
Due to other funds	7,163	9,193	-	113,900	3,464	133,720
Total Liabilities	<u>7,163</u>	<u>9,193</u>	<u>-</u>	<u>854,456</u>	<u>3,464</u>	<u>874,276</u>
FUND BALANCE (DEFICIT)						
Restricted	-	-	-	-	-	-
Total Fund Balance (Deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ 7,163</u>	<u>\$ 9,193</u>	<u>\$ -</u>	<u>\$ 854,456</u>	<u>\$ 3,464</u>	<u>\$ 874,276</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
PROFESSIONAL DEVELOPMENT ALLIANCE FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2013

	ROE/ISC Operations	Technology for Success	Title II - Teacher Quality	Title I - School Improvement and Accountability	Grundy/Kendall County ROE/ISC Operations	TOTALS
REVENUES						
State sources	\$ 85,967	\$ 102,919	\$ -	\$ -	\$ 41,634	\$ 230,520
Federal sources	-	-	4,000	3,785,245	-	3,789,245
Total Revenues	<u>85,967</u>	<u>102,919</u>	<u>4,000</u>	<u>3,785,245</u>	<u>41,634</u>	<u>4,019,765</u>
EXPENDITURES						
Salaries and benefits	41,978	101,905	-	756,402	31,000	931,285
Purchased services	43,989	1,014	-	368,598	10,634	424,235
Supplies and materials	-	-	-	15,474	-	15,474
Payments to other governments	-	-	4,000	2,644,771	-	2,648,771
Total Expenditures	<u>85,967</u>	<u>102,919</u>	<u>4,000</u>	<u>3,785,245</u>	<u>41,634</u>	<u>4,019,765</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	-	-	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
PROFESSIONAL DEVELOPMENT ALLIANCE FUND ACCOUNT
ROE/ISC OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 85,967	\$ 85,967	\$ 85,967
Total Revenue	<u>85,967</u>	<u>85,967</u>	<u>85,967</u>
EXPENDITURES			
Salaries and benefits	42,000	42,000	41,978
Purchased services	43,967	43,967	43,989
Total Expenditures	<u>85,967</u>	<u>85,967</u>	<u>85,967</u>
NET CHANGE IN FUND BALANCE (DEFICIT)			
	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING			
	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING			
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
PROFESSIONAL DEVELOPMENT ALLIANCE FUND ACCOUNT
TECHNOLOGY FOR SUCCESS
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 47,759	\$ 102,919	\$ 102,919
Total Revenue	<u>47,759</u>	<u>102,919</u>	<u>102,919</u>
EXPENDITURES			
Salaries and benefits	47,467	99,781	101,905
Purchased services	292	3,138	1,014
Total Expenditures	<u>47,759</u>	<u>102,919</u>	<u>102,919</u>
NET CHANGE IN FUND BALANCE (DEFICIT)			
	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING			
	-	-	-
FUND BALANCE (DEFICIT) - ENDING			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 BUDGETARY COMPARISON SCHEDULE
 PROFESSIONAL DEVELOPMENT ALLIANCE FUND ACCOUNT
 TITLE II - TEACHER QUALITY
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 4,000	\$ 4,000	\$ 4,000
Total Revenue	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
EXPENDITURES			
Payments to other governments	4,000	4,000	4,000
Total Expenditures	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
NET CHANGE IN FUND BALANCE (DEFICIT)			
	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
PROFESSIONAL DEVELOPMENT ALLIANCE FUND ACCOUNT
TITLE I - SCHOOL IMPROVEMENT AND ACCOUNTABILITY (12-4331-SS)
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 4,231,005	\$ 4,243,005	\$ 290,841
Total Revenue	<u>4,231,005</u>	<u>4,243,005</u>	<u>290,841</u>
EXPENDITURES			
Salaries and benefits	716,604	567,764	62,534
Purchased services	460,440	573,737	61,782
Supplies and materials	20,000	23,000	2,978
Payments to other governments	3,033,961	3,078,504	163,547
Total Expenditures	<u>4,231,005</u>	<u>4,243,005</u>	<u>290,841</u>
NET CHANGE IN FUND BALANCE (DEFICIT)			
	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING			
	-	-	-
FUND BALANCE (DEFICIT) - ENDING			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Revenues and expenditures are less than budgeted amounts because the grant was extended through August 31, 2012 and only part of the grant was received and expended in the current fiscal year.

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
PROFESSIONAL DEVELOPMENT ALLIANCE FUND ACCOUNT
TITLE I - SCHOOL IMPROVEMENT AND ACCOUNTABILITY (13-4331-SS)
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 3,494,404	\$ 3,494,404	\$ 3,494,404
Total Revenue	<u>3,494,404</u>	<u>3,494,404</u>	<u>3,494,404</u>
EXPENDITURES			
Salaries and benefits	773,236	773,236	693,868
Purchased services	375,334	375,334	306,816
Supplies and materials	12,000	12,000	12,496
Payments to other governments	2,333,834	2,333,834	2,481,224
Total Expenditures	<u>3,494,404</u>	<u>3,494,404</u>	<u>3,494,404</u>
NET CHANGE IN FUND BALANCE (DEFICIT)			
	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING			
	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
BUDGETARY COMPARISON SCHEDULE
PROFESSIONAL DEVELOPMENT ALLIANCE FUND ACCOUNT
GRUNDY/KENDALL COUNTY ROE/ISC OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 41,634	\$ 41,634	\$ 41,634
Total Revenue	<u>41,634</u>	<u>41,634</u>	<u>41,634</u>
EXPENDITURES			
Salaries and benefits	31,000	31,000	31,000
Purchased services	10,634	10,634	10,634
Total Expenditures	<u>41,634</u>	<u>41,634</u>	<u>41,634</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2013

	<u>General Education Development</u>	<u>Bus Driver Training</u>	<u>Lambert</u>	<u>TOTALS</u>
ASSETS				
Cash and cash equivalents	\$ 114,503	\$ 57,816	\$ -	\$ 172,319
Accounts receivable	360	-	-	360
Due from other governments - Local	-	488	-	488
Total Assets	<u>\$ 114,863</u>	<u>\$ 58,304</u>	<u>\$ -</u>	<u>\$ 173,167</u>
LIABILITIES				
Accounts payable	<u>\$ 1,763</u>	<u>\$ 233</u>	<u>\$ -</u>	<u>\$ 1,996</u>
Total Liabilities	<u>1,763</u>	<u>233</u>	<u>-</u>	<u>1,996</u>
FUND BALANCE (DEFICIT)				
Restricted	<u>113,100</u>	<u>58,071</u>	<u>-</u>	<u>171,171</u>
Total Fund Balance (Deficit)	<u>113,100</u>	<u>58,071</u>	<u>-</u>	<u>171,171</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ 114,863</u>	<u>\$ 58,304</u>	<u>\$ -</u>	<u>\$ 173,167</u>

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Education Development	Bus Driver Training	Lambert	TOTALS
REVENUES				
Local sources	\$ 83,850	\$ 15,772	\$ -	\$ 99,622
State sources	-	3,246	-	3,246
Total Revenues	<u>83,850</u>	<u>19,018</u>	<u>-</u>	<u>102,868</u>
EXPENDITURES				
Purchased services	45,218	8,788	760	54,766
Supplies and materials	11,989	-	-	11,989
Other objects	150	-	-	150
Total Expenditures	<u>57,357</u>	<u>8,788</u>	<u>760</u>	<u>66,905</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	26,493	10,230	(760)	35,963
FUND BALANCE (DEFICIT) - BEGINNING	<u>86,607</u>	<u>47,841</u>	<u>760</u>	<u>135,208</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ 113,100</u>	<u>\$ 58,071</u>	<u>\$ -</u>	<u>\$ 171,171</u>

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND
 FOR THE YEAR ENDED JUNE 30, 2013

<u>WILL COUNTY AREA</u> <u>CAREER CLUSTER</u>	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
ASSETS				
Cash and cash equivalents	\$ -	\$ 1,023	\$ 1,023	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 1,023</u>	<u>\$ 1,023</u>	<u>\$ -</u>
LIABILITIES				
Due to other governments	\$ -	\$ 1,023	\$ 1,023	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 1,023</u>	<u>\$ 1,023</u>	<u>\$ -</u>

FEDERAL COMPLIANCE

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass Through Grantor, Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Project # or Contract #</u>	<u>Expenditures 7/1/12-6/30/13</u>
US Department of Education passed through Illinois State Board of Education			
Title I - Grants to Local Educational Agencies			
Title I - School Improvement and Accountability	84.010A	2012-4331-SS	\$ 290,841 (M)
Title I - School Improvement and Accountability	84.010A	2013-4331-SS	<u>3,494,404 (M)</u>
Total Title I - Grants to Local Educational Agencies			<u>3,785,245</u>
Twenty-First Century Community Learning Centers			
Title IV - 21st Century Community Learning Centers	84.287C	2012-4421-08	74,103 (M)
Title IV - 21st Century Community Learning Centers	84.287C	2012-4421-10	93,151 (M)
Title IV - 21st Century Community Learning Centers	84.287C	2013-4421-10	<u>507,378 (M)</u>
Total Twenty-First Century Community Learning Centers			<u>674,632</u>
Education for Homeless Children and Youth			
McKinney Education for Homeless Children	84.196A	2012-4920-00	11,541 (M)
McKinney Education for Homeless Children	84.196A	2013-4920-00	<u>451,318 (M)</u>
Total McKinney Education for Homeless Children			<u>462,859</u>
Improving Teacher Quality State Grants			
Title II - Teacher Quality - Leadership Grant	84.367A	2013-4935-00	4,000
Title II - Teacher Quality - Leadership Grant	84.367A	2013-4935-02	<u>17,400</u>
Total Improving Teacher Quality State Grants			<u>21,400</u>
Total US Department of Education passed through Illinois State Board of Education			<u>4,944,136</u>
US Department of Labor passed through Regional Office of Education #24			
WIA Youth Activities			
Career Seekers Fund	17.259	2011-5000	<u>622</u>
Total US Department of Labor passed through Regional Office of Education #24			<u>622</u>
Total Expenditures of Federal Awards			<u>\$ 4,944,758</u>

(M) Program was audited as a major program.

WILL COUNTY
 REGIONAL OFFICE OF EDUCATION #56
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JUNE 30, 2013

NOTE 1 - REPORTING ENTITY BASIS OF PRESENTATION AND ACCOUNTING

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

NOTE 2 - SUB-RECIPIENTS

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

<u>Program Title</u>	<u>Federal CFDA #</u>	<u>Amount provided to subrecipients</u>
McKinney Education for Homeless Children	84.196A	\$ 286,350
Title II - Teacher Quality	84.367A	4,000
Title I - School Improvement and Accountability	84.010A	2,644,771

NOTE 3 - DESCRIPTION OF MAJOR FEDERAL PROGRAM

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

Title IV - 21st Century Community Learning Centers - 08/10 - Accounts for monies received for, and payment of, expenditures of the 21st Century Learning Centers Grant. The purpose of this grant is to create community learning centers that provide academic enrichment opportunities for children, particularly students who attend high-poverty and low performing schools.

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

NOTE 4 - NON-CASH ASSISTANCE

None

WILL COUNTY
REGIONAL OFFICE OF EDUCATION #56
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013

NOTE 5 - AMOUNT OF INSURANCE

None

NOTE 6 - LOANS OR LOAN GUARANTEES OUTSTANDING

None