



**STATE OF ILLINOIS  
McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44**

**FINANCIAL AUDIT  
For the Year Ended June 30, 2019**

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

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44**

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**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44**

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**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44**

**OFFICIALS**

Regional Superintendent  
(current and during the audit period)

Ms. Leslie Schermerhorn

Assistant Regional Superintendent  
(current and during the audit period)

Dr. Michael Freeman

Office is located at:

McHenry County Government Center  
2200 N. Seminary Avenue (Route 47)  
Woodstock, Illinois 60098

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
FINANCIAL REPORT SUMMARY**

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

**AUDITOR’S REPORTS**

The auditor’s reports do not contain scope limitations, disclaimers, or other significant non-standard language.

**SUMMARY OF AUDIT FINDINGS**

<b><u>Number of</u></b>	<b><u>This Audit</u></b>	<b><u>Prior Audit</u></b>
Audit findings	5	5
Repeated audit findings	5	4
Prior recommendations implemented or not repeated	0	0

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

**SUMMARY OF FINDINGS AND RESPONSES**

<b><u>Item No.</u></b>	<b><u>Page</u></b>	<b><u>Description</u></b>	<b><u>Finding Type</u></b>
<b><i>Findings (Government Auditing Standards)</i></b>			
2019-001	11	Controls Over Financial Statement Preparation	Material Weakness
2019-002	15	Noncompliance with Grant Requirements	Material Weakness/Noncompliance
2019-003	17	Improper Accounting of Grant Funds	Material Weakness
2019-004	18	Inadequate Internal Control Procedures	Material Weakness
2019-005	20	Delay of Audit	Noncompliance

***Prior Audit Findings not Repeated (Government Auditing Standards)***

None

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
FINANCIAL REPORT SUMMARY**

**EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference on October 2, 2020. Attending from the Regional Office of Education No. 44 were Leslie Schermerhorn, Regional Superintendent; Michael Freeman, Assistant Regional Superintendent; and Rachelle Blich, Consultant; and from Adelfia LLC were Jennifer Roan and Maria Divina Valera, Partners. Responses to the recommendations were provided by Michael Freeman, Assistant Regional Superintendent, on November 2, 2020.

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
FINANCIAL STATEMENT REPORT SUMMARY**

The audit of the accompanying basic financial statements of McHenry County Regional Office of Education No. 44 was performed by Adelfia LLC.

Based on their audit, the auditors expressed an unmodified opinion on the McHenry County Regional Office of Education No. 44's basic financial statements.



## INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

### **Report on the Financial Statements**

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McHenry County Regional Office of Education No. 44, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the McHenry County Regional Office of Education No. 44'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.

### **Auditor's Responsibility**

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

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



and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McHenry County Regional Office of Education No. 44, as of June 30, 2019, 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

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the McHenry County Regional Office of Education No. 44's basic financial statements. The combining schedule of accounts, the budgetary comparison schedules, the combining fund financial statements and the Schedule of Disbursements to School District Treasurers and Other Entities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedule of accounts, the budgetary comparison schedules, the combining fund financial statements and the Schedule of Disbursements to School District Treasurers and Other Entities are the responsibility of management and were derived from and relates 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 schedule of accounts, the budgetary comparison schedules, the combining fund financial statements and the Schedule of Disbursements to School District Treasurers and Other Entities are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2020 on our consideration of the McHenry County Regional Office of Education No. 44's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of McHenry County Regional Office of Education No. 44's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McHenry County Regional Office of Education No. 44's internal control over financial reporting and compliance.

**SIGNED ORIGINAL ON FILE**

Chicago, Illinois  
November 12, 2020



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

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McHenry County Regional Office of Education No. 44, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise McHenry County Regional Office of Education No. 44’s basic financial statements, and have issued our report thereon dated November 12, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered McHenry County Regional Office of Education No. 44’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 McHenry County Regional Office of Education No. 44’s internal control. Accordingly, we do not express an opinion on the effectiveness of McHenry County Regional Office of Education No. 44’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2019-001, 2019-002, 2019-003, and 2019-004 that we consider to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether McHenry County Regional Office of Education No. 44's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2019-002 and 2019-005.

#### Regional Office of Education No. 44's Responses to Findings

McHenry County Regional Office of Education No. 44's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. McHenry County Regional Office of Education No. 44'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 McHenry County Regional Office of Education No. 44'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 McHenry County Regional Office of Education No. 44's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**SIGNED ORIGINAL ON FILE**

Chicago, Illinois  
November 12, 2020

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
SCHEDULE OF FINDINGS AND RESPONSES  
SECTION I – SUMMARY OF AUDITOR’S RESULTS  
For the Year Ended June 30, 2019**

**Financial Statements in accordance with GAAP**

Type of auditor’s report issued:

*Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?

yes       no

Significant deficiency(ies) identified?

yes       none reported

Noncompliance material to financial statements noted?

yes       no

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the Year Ended June 30, 2019**

**FINDING 2019-001 – Controls over Financial Statement Preparation (Repeat of Finding 18-001, 17-001, 16-001, 15-001 and 14-001)**

**CRITERIA/SPECIFIC REQUIREMENT:**

The Regional Office of Education No. 44 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Regional Office’s internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP-based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

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

GASB Statement No. 34, *Basic Financial Statements - Management’s Discussion and Analysis – for State and Local Governments* (Statement), requires activities to be reported as enterprise funds if the pricing policies of the activity establish fees and charges designed to recover its costs.

The Statement further states that proprietary fund reporting focuses on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise and internal service funds. Proprietary fund statements of net position and revenues, expenses, and changes in fund net position should be presented using the economic resources measurement focus and the accrual basis of accounting. Proprietary fund statements should present the financial information for each major enterprise fund in a separate column. Nonmajor enterprise funds should be aggregated and displayed in a single column, and a combined total column should be presented for all enterprise funds.

Required financial statements for proprietary funds are:

- a. Statement of net position or balance sheet;
- b. Statement of revenues, expenses, and changes in fund net position or fund equity; and
- c. Statement of cash flows.

**McHENRY COUNTY**  
**REGIONAL OFFICE OF EDUCATION NO. 44**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**SECTION II – FINANCIAL STATEMENT FINDINGS**  
**For the Year Ended June 30, 2019**

**FINDING 2019-001 – Controls over Financial Statement Preparation (Repeat of Finding 18-001, 17-001, 16-001, 15-001 and 14-001) (Continued)**

**CONDITION:**

The Regional Office of Education No. 44 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP-based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

The auditors noted the following in the review of the Regional Office's accounting records:

- The Regional Office's trial balance from its accounting system did not agree to the amounts reported in the financial statements. Funds reported in the financial statements are not set-up in the accounting system to account for the transactions by fund and as such fund balances do not roll forward correctly from the prior year and were out of balance as there were no correct allocations to funds/programs.
- The Regional Office provided the financial statement preparer adjustments and details supporting the financial statements but there was no clear reconciliation between the accounting system balances and the adjusted balances reported.
- We noted transactions for fiscal year 2019 that had incorrect posting dates in the accounting system; some posting dates were after June 30, 2019. Duplicate entries were noted that were not adjusted as of June 30, 2019.
- The Regional Office of Education No. 44 improperly classified the Fingerprinting Fund (Fund) activities under the General Fund reported as governmental activities instead of a non-major proprietary fund that should be reported as business-type activities. Accordingly, no statement of cash flows was reported for this non-major proprietary fund. Revenues for Fiscal Year 2019 totaled \$9,999. There were no associated expenses and liabilities recorded during the year. Total assets as of June 30, 2019 were \$9,999. Total net position as of June 30, 2019 was \$9,999.

The auditors also noted misclassifications totaling \$151,956 and unreported transactions totaling \$243,726 in the originally submitted financial statements. The Regional Office of Education subsequently adjusted the financial statements to correct these errors.

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the Year Ended June 30, 2019**

**FINDING 2019-001 – Controls over Financial Statement Preparation (Repeat of Finding 18-001, 17-001, 16-001, 15-001 and 14-001) (Continued)**

**EFFECT:**

The Regional Office of Education No. 44 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. Also, improper classification of Fund activities understated the financial position and changes in financial position and cash flows of the business-type activities and overstated the financial position and changes in financial position of the governmental activities as of and for the year ended June 30, 2019. Improper classification results in inaccurate application of generally accepted accounting principles for the fund activities and may result in a material adjustment in the financial statements.

**CAUSE:**

The Regional Office of Education No. 44's management indicated the Regional Office did not have adequate funding to hire and/or train accounting personnel with the knowledge, skills, and experience to prepare GAAP based financial statements. Also, the Regional Office of Education reported the transactions under the General Fund and did not realize the adjustment was not made to report the activities of this Fund as business-type activities at year-end.

**RECOMMENDATION:**

As part of internal control over the preparation of financial statements, the Regional Office of Education No. 44 should implement comprehensive preparation procedures to ensure the financial statements are complete and accurate. These procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education No. 44's activities and operations.

The Regional Office of Education No. 44 should also implement procedures to ensure proper analysis of Fund activities are made when new funds are set-up or when transactions are recorded in an existing fund for proper classification and reporting in accordance with GASB Statement No. 34.



**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the Year Ended June 30, 2019**

**FINDING 2019-001 – Controls over Financial Statement Preparation (Repeat of Finding 18-001, 17-001, 16-001, 15-001 and 14-001) (Concluded)**

**MANAGEMENT’S RESPONSE:**

The Regional Office of Education No. 44 agrees with this finding and has secured the services of an accounting consultant that has significant experience with Regional Offices of Education to prepare a compilation of their financial statements and notes in accordance with generally accepted accounting principles for fiscal year 2020. The consultant was hired in July 2020 and will prepare the FY20 financial statements and will be responsible for the monitoring and reconciliation of the general ledger and bank statements on a monthly basis, ensure all fund activities are recorded properly and provide training to all staff on fraud detection and prevention.

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the Year Ended June 30, 2019**

**FINDING 2019-002 – Noncompliance with Grant Requirements (Repeat Finding 18-002, 17-002, and 16-002)**

**CRITERIA/SPECIFIC REQUIREMENT:**

The Regional Office must comply with grant accounting and reporting requirements established by grant agreements with the Illinois State Board of Education (ISBE) and other grantors in addition to the requirements established by ISBE's fiscal policies and procedures for grantees. Among these requirements are accurate, current, and complete disclosure of grant financial activity to the grantor.

**CONDITION:**

The Regional Safe Schools, Title II - Teacher Quality - Leadership and Regional Safe Schools Cooperative grant programs' budgets, and final expenditure reports indicated the Regional Office expended purchased services, and supplies and materials. However, all of the funding was forwarded to other entities as payments to other governments to administer the programs, therefore the expenditure reports were completed based on budget versus actual general ledger detail.

**EFFECT:**

The budgets and expenditure reports submitted to the grantor did not accurately reflect actual expenditures, resulting in a failure to comply with the grant requirements for accurate, current, and complete disclosure of financial activity.

**CAUSE:**

The Regional Office of Education No. 44's management indicated that due to vacancy of the bookkeeper position, expenditure reports were completed based on budget versus actual general ledger detail.

**RECOMMENDATION:**

The Regional Office of Education No. 44 should ensure grant budgets and expenditure reports are prepared using current and accurate financial data based on reports obtained from the Regional Office's accounting system.

**McHENRY COUNTY**  
**REGIONAL OFFICE OF EDUCATION NO. 44**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**SECTION II – FINANCIAL STATEMENT FINDINGS**  
**For the Year Ended June 30, 2019**

**FINDING 2019-002 – Noncompliance with Grant Requirements (Repeat Finding 18-002, 17-002, and 16-002) (Concluded)**

**MANAGEMENT’S RESPONSE:**

The Regional Office of Education No. 44 agrees with this finding and will make necessary changes to their chart of accounts to ensure the grant budget and expenditure reports are prepared using their current and accurate financial data using the reports generated from their accounting system. The Regional Office of Education has worked with their accounting consultant to complete an analysis of their financial activities to ensure all grant programs and budget are reported properly and that they are following fiscal policies. The Regional Office of Education was able to make the necessary corrections for one of the grants for FY20 and full implementation for FY21.

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the Year Ended June 30, 2019**

**FINDING 2019-003 – Improper Accounting of Grant Funds (Repeat Finding 18-003, 17-003, and 16-003)**

**CRITERIA/SPECIFIC REQUIREMENT:**

The Regional Office of Education No. 44 is required by the Illinois State Board of Education (ISBE) to maintain its accounting system consistent with the *ISBE Regional Office of Education Accounting Manual*. That manual requires the Regional Office of Education No. 44 to track grant funding activity separately by funding source in a set of self-balancing accounts.

**CONDITION:**

ROE/ISC Operations, Regional Safe Schools Program, and Regional Safe Schools Cooperative funding were recorded in the Regional Office’s distributive fund as general revenue when received and as a general expenditure when the funding was sent to the subrecipient. These grants are written and reported in the Regional Office’s name and federal identification number, but are not segregated based on the grant funding source and expenditure classification in the Regional Office’s accounting system.

**EFFECT:**

Federal and State revenues and expenditures were not tracked separately in the Regional Office general ledger in accordance with the *ISBE Regional Office of Education Accounting Manual*.

**CAUSE:**

The Regional Office of Education No. 44’s management indicated the Regional Office replaced its accounting package and intended to incorporate established ISBE fiscal policies and require each grant to be coded separately. However, due to the vacancy of the bookkeeper position, the Federal and State revenues and expenditures were not tracked separately in the accounting system.

**RECOMMENDATION:**

The Regional Office of Education No. 44 should identify and record grant funds in accordance with requirements set forth in the *ISBE Regional Office of Education Accounting Manual*.

**MANAGEMENT’S RESPONSE:**

The Regional Office of Education No. 44 agrees with this finding and has updated their chart of accounts to maintain the accuracy and proper recording of grant revenues and expenditures in accordance with the requirements set forth in the *ISBE Regional Office of Education Accounting Manual*. This correction will be reflected on the FY20 financial statements.

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the Year Ended June 30, 2019**

**FINDING 2019-004– Inadequate Internal Control Procedures (Repeat of Finding 18-004, Partial Repeat Finding 17-004 and 16-004)**

**CRITERIA/SPECIFIC REQUIREMENT:**

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

**CONDITION:**

Auditors noted the following weaknesses in the Regional Office’s internal control system for which there were no mitigating controls:

- Individual responsible for reconciling cash accounts can accept over-the-counter cash receipts;
- Missing deposit slips for fingerprinting receipt transactions;
- No documented evidence of independent review of completed bank reconciliations;
- Untimely and inaccurate performance of monthly bank reconciliations; and
- Missing monthly bank reconciliations.

**EFFECT:**

Lack of effective internal control procedures could result in unintentional or intentional errors or misappropriations of assets, in which the errors or fraud could be material to the financial statements and may not be detected in a timely manner by employees in the normal course of performing their assigned duties.

**CAUSE:**

The Regional Office of Education No. 44’s management indicated the Regional Office developed detailed procedures for the Regional Office’s receipts process that strengthens the internal controls and segregation of duties related to this process. These procedures have been formalized in the Regional Office’s financial policies and procedures, but due to limited staff, these procedures were not implemented. In addition, the inadequate control procedures related to bank reconciliations were also due to the vacancy of the bookkeeper position.

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the Year Ended June 30, 2019**

**FINDING 2019-004– Inadequate Internal Control Procedures (Repeat of Finding 18-004, Partial Repeat Finding 17-004 and 16-004) (Concluded)**

**RECOMMENDATION:**

The Regional Office of Education No. 44 should ensure the individual responsible for reconciling cash accounts does not accept over-the-counter cash receipts. In addition, the Regional Office of Education No. 44 should ensure deposit slips for fingerprinting receipt transactions are maintained; monthly bank reconciliations are performed for all bank accounts accurately and timely; and document evidence of independent review.

**MANAGEMENT’S RESPONSE:**

The Regional Office of Education No. 44 agrees with this finding and has secured an independent accounting consultant to complete monthly internal reviews and reconciliations of all bank accounts and general ledgers to ensure any errors are identified and corrected in a timely manner, including maintenance of supporting deposit slips for fingerprinting receipt transactions. The Regional Office of Education will update the policies and procedures for accepting and reconciling cash to strengthen the internal controls and segregation of duties. The Regional Office of Education will also provide annual training to its staff to help detect and prevent fraud.

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the Year Ended June 30, 2019**

**FINDING 2019-005 – Delay of Audit (Repeat of Finding 18-005)**

**CRITERIA/SPECIFIC REQUIREMENT:**

Regional Office of Education No. 44 is subject to 105 ILCS 5/2-3.17a which requires the Auditor General’s office to cause an audit to be made, as of June 30<sup>th</sup> of each year, of the financial statements of all accounts, funds and other moneys in the care, custody or control of the regional superintendent of schools of each educational service region in the State and of each educational service center established in the School Code. The audit is to be conducted in accordance with Generally Accepted Governmental Auditing Standards.

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

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

**CONDITION:**

The Regional Office of Education No. 44 did not provide completed financial statements in an auditable form by the August 31 deadline. The completed financial statements were provided on May 21, 2020.

**EFFECT:**

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

**CAUSE:**

The Regional Office of Education No. 44’s management indicated the Regional Superintendent’s late hiring of the CPA firm caused for a delay in the FY19 financial statement being completed. Lack of sufficient staffing made audit preparation difficult. The Regional Office’s bookkeeper’s position remained vacant during the year.

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
SCHEDULE OF FINDINGS AND RESPONSES  
SECTION II – FINANCIAL STATEMENT FINDINGS  
For the Year Ended June 30, 2019**

**Finding No. 2019-005 – Delay of Audit (Repeat of Finding 18-005) (Concluded)**

**RECOMMENDATION:**

The Regional Office of Education No. 44 should implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and 74 Ill. Adm. Code 420.320 (c) (2). Annual financial statements should be compiled on an accrual basis of accounting in accordance with GAAP. These financial statements need to be presented to the Auditor General’s independent auditors for audit by the August 31 deadline.

**MANAGEMENT’S RESPONSE:**

The Regional Office of Education No. 44 agrees with this finding and will implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and 74 Ill. Adm. Code 420.320 (c) (2). Annual financial statements will be compiled on an accrual basis of accounting in accordance with GAAP. These financial statements will be available to the Auditor General by August 31 deadline. We expect to have the FY21 financial statements available to the Auditor General by the deadline of August 31.



**McHENRY COUNTY**  
**REGIONAL OFFICE OF EDUCATION NO. 44**  
**CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS**  
**For the Year Ended June 30, 2019**

**CORRECTIVE ACTION PLAN**

**FINDING 2019-001 – Controls over Financial Statement Preparation (Repeat of Finding 18-001, 17-001, 16-001, 15-001 and 14-001)**

**CONDITION:**

The Regional Office of Education No. 44 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP-based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

The auditors noted the following in the review of the Regional Office’s accounting records:

- The Regional Office’s trial balance from its accounting system did not agree to the amounts reported in the financial statements. Funds reported in the financial statements are not set-up in the accounting system to account for the transactions by fund and as such fund balances do not roll forward correctly from the prior year and were out of balance as there were no correct allocations to funds/programs.
- The Regional Office provided the financial statement preparer adjustments and details supporting the financial statements but there was no clear reconciliation between the accounting system balances and the adjusted balances reported.
- We noted transactions for fiscal year 2019 that had incorrect posting dates in the accounting system; some posting dates were after June 30, 2019. Duplicate entries were noted that were not adjusted as of June 30, 2019.
- The Regional Office of Education No. 44 improperly classified the Fingerprinting Fund (Fund) activities under the General Fund reported as governmental activities instead of a non-major proprietary fund that should be reported as business-type activities. Accordingly, no statement of cash flows was reported for this non-major proprietary fund. Revenues for Fiscal Year 2019 totaled \$9,999. There were no associated expenses and liabilities recorded during the year. Total assets as of June 30, 2019 were \$9,999. Total net position as of June 30, 2019 was \$9,999.

The auditors also noted misclassifications totaling \$151,956 and unreported transactions totaling \$243,726 in the originally submitted financial statements. The Regional Office of Education subsequently adjusted the financial statements to correct these errors.

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2019**

**CORRECTIVE ACTION PLAN (Continued)**

**FINDING 2019-001 – Controls over Financial Statement Preparation (Repeat of Finding 18-001, 17-001, 16-001, 15-001 and 14-001) (Concluded)**

**PLAN:**

The Regional Office of Education No. 44 has secured the services of an accounting consultant that has significant experience with Regional Offices of Education to prepare a compilation of their financial statements and notes in accordance with generally accepted accounting principles for fiscal year 2020.

**ANTICIPATED DATE OF COMPLETION:**

The consultant was hired in July 2020 and will prepare the FY20 financial statements and will be responsible for the monitoring and reconciliation of the general ledger on a monthly basis and provide training to all staff on fraud detection and prevention.

**CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:**

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2019**

**CORRECTIVE ACTION PLAN (Continued)**

**FINDING 2019-002 – Noncompliance with Grant Requirements (Repeat Finding 18-002, 17-002, and 16-002)**

**CONDITION:**

The Regional Safe Schools, Title II - Teacher Quality - Leadership and Regional Safe Schools Cooperative grant programs' budgets, and final expenditure reports indicated the Regional Office expended purchased services, and supplies and materials. However, all of the funding was forwarded to other entities as payments to other governments to administer the programs, therefore the expenditure reports were completed based on budget versus actual general ledger detail.

**PLAN:**

The Regional Office of Education No. 44 will make necessary changes to their chart of accounts to ensure the grant budget and expenditure reports are prepared using their current and accurate financial data using the reports generated from their accounting system.

**ANTICIPATED DATE OF COMPLETION:**

The Regional Office of Education was able to make the necessary corrections for one of the grants for FY20 and full implementation for FY21.

**CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:**

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2019**

**CORRECTIVE ACTION PLAN (Continued)**

**FINDING 2019-003 – Improper Accounting of Grant Funds (Repeat Finding 18-003, 17-003, and 16-003)**

**CONDITION:**

ROE/ISC Operations, Regional Safe Schools Program, and Regional Safe Schools Cooperative funding were recorded in the Regional Office’s distributive fund as general revenue when received and as a general expenditure when the funding was sent to the subrecipient. These grants are written and reported in the Regional Office’s name and federal identification number, but are not segregated based on the grant funding source and expenditure classification in the Regional Office’s accounting system.

**PLAN:**

The Regional Office of Education No. 44 has updated their chart of accounts to maintain the accuracy and proper recording of grant revenues and expenditures in accordance with the requirements set forth in the *ISBE Regional Office of Education Accounting Manual*.

**ANTICIPATED DATE OF COMPLETION:**

This correction will be reflected on the FY20 financial statements.

**CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:**

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2019**

**CORRECTIVE ACTION PLAN (Continued)**

**FINDING 2019-004– Inadequate Internal Control Procedures (Repeat of Finding 18-004, Partial Repeat Finding 17-004 and 16-004)**

**CONDITION:**

Auditors noted the following weaknesses in the Regional Office’s internal control system for which there were no mitigating controls:

- Individual responsible for reconciling cash accounts can accept over-the-counter cash receipts;
- Missing deposit slips for fingerprinting receipt transactions;
- No documented evidence of independent review of completed bank reconciliations;
- Untimely and inaccurate performance of monthly bank reconciliations; and
- Missing monthly bank reconciliations.

**PLAN:**

The Regional Office of Education No. 44 has secured an independent accounting consultant to complete monthly internal reviews and reconciliations of all bank accounts and general ledgers to ensure any errors are identified and corrected in a timely manner. The Regional Office of Education will update the policies and procedures for accepting and reconciling cash to strengthen the internal controls and segregation of duties. The Regional Office of Education will also provide annual training to its staff to help detect and prevent fraud.

**ANTICIPATED DATE OF COMPLETION:**

This corrective action will be completed in the 2020-2021 fiscal year.

**CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:**

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2019**

**CORRECTIVE ACTION PLAN (Continued)**

**FINDING 2019-005 – Delay of Audit (Repeat of Finding 18-005)**

**CONDITION:**

The Regional Office of Education No. 44 did not provide completed financial statements in an auditable form by the August 31 deadline. The completed financial statements were provided on May 21, 2020.

**PLAN:**

The Regional Office of Education No. 44 will implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and 74 Ill. Adm. Code 420.320 (c) (2). Annual financial statements will be compiled on an accrual basis of accounting in accordance with GAAP. These financial statements will be available to the Auditor General by August 31 deadline.

**ANTICIPATED DATE OF COMPLETION:**

We expect to have the FY21 financial statements available to the Auditor General by the deadline of August 31.

**CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:**

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS NOT REPEATED  
For the Year Ended June 30, 2019**

<u><b>Finding No.</b></u>	<u><b>Condition</b></u>	<u><b>Current Status</b></u>
There were no prior audit findings not repeated.		

## BASIC FINANCIAL STATEMENTS



**McHENRY COUNTY**  
**REGIONAL OFFICE OF EDUCATION NO. 44**  
**STATEMENT OF NET POSITION**  
**June 30, 2019**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 463,894	\$ 9,999	\$ 473,893
Due from Other Governments			
State	62,585	-	62,585
Total Current Assets	526,479	9,999	536,478
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	29,390	-	29,390
Due to Other Governments			
Local	50,474	-	50,474
Total Current Liabilities	79,864	-	79,864
<b>NET POSITION</b>			
Restricted for Educational Purposes	373,467	-	373,467
Unrestricted	73,148	9,999	83,147
Total Net Position	\$ 446,615	\$ 9,999	\$ 456,614

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

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2019**

Functions/Programs	Program Revenues		Net (Expenses)/Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants/Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental Activities						
Instructional Services						
Purchased Services	\$ 164,938	\$ -	\$ 45,772	\$ (119,166)	\$ -	\$ (119,166)
Supplies and Materials	-	-	4,178	4,178	-	4,178
Other Objects	512	-	-	(512)	-	(512)
Intergovernmental						
Payments to Other Governments	513,990	-	336,156	(177,834)	-	(177,834)
Administrative						
On-Behalf Payments - State	287,088	-	-	(287,088)	-	(287,088)
On-Behalf Payments - Local	358,776	-	-	(358,776)	-	(358,776)
Total Governmental Activities	1,325,304	-	386,106	(939,198)	-	(939,198)
Business-Type Activities						
Fingerprinting Fees	-	9,999	-	-	9,999	9,999
Total Business-Type Activities	-	9,999	-	-	9,999	9,999
Total Primary Government	\$ 1,325,304	\$ 9,999	\$ 386,106	\$ (939,198)	\$ 9,999	\$ (939,198)
General Revenues						
State Sources				146,210	-	146,210
Local Sources				103,540	-	103,540
On-Behalf Payments - State				287,088	-	287,088
On-Behalf Payments - Local				358,776	-	358,776
Investment Earnings				8,940	-	8,940
Total General Revenues				904,554	-	904,554
Change in Net Position				(34,644)	9,999	(24,645)
Net Position - Beginning				481,259	-	481,259
Net Position - Ending				446,615	9,999	456,614

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

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2019**

	General Fund	Education Fund	Institute Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 63,049	\$ 27,752	\$ 306,324	\$ 66,769	\$ 463,894
Due from Other Governments					
State	10,099	50,474	-	2,012	62,585
Total Assets	<u>\$ 73,148</u>	<u>\$ 78,226</u>	<u>\$ 306,324</u>	<u>\$ 68,781</u>	<u>\$ 526,479</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ -	\$ 27,752	\$ -	\$ 1,638	\$ 29,390
Due to Other Governments					
Local	-	50,474	-	-	50,474
Total Liabilities	<u>-</u>	<u>78,226</u>	<u>-</u>	<u>1,638</u>	<u>79,864</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue	-	50,474	-	-	50,474
<b>FUND BALANCES</b>					
Restricted	-	-	306,324	67,143	373,467
Unassigned	73,148	(50,474)	-	-	22,674
Total Fund Balances (Deficit)	<u>73,148</u>	<u>(50,474)</u>	<u>306,324</u>	<u>67,143</u>	<u>396,141</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)	<u>\$ 73,148</u>	<u>\$ 78,226</u>	<u>\$ 306,324</u>	<u>\$ 68,781</u>	<u>\$ 526,479</u>

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

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
June 30, 2019**

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS \$ 396,141

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

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

Current year unavailable revenue  
State sources

50,474

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 446,615

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

**McHENRY COUNTY**  
**REGIONAL OFFICE OF EDUCATION NO. 44**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2019**

	General Fund	Education Fund	Institute Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>					
Federal Sources	\$ -	\$ 3,136	\$ -	\$ -	\$ 3,136
State Sources	127,885	348,809	-	2,012	478,706
Local Sources	8,584	-	76,955	18,001	103,540
On-Behalf Payments - State	287,088	-	-	-	287,088
On-Behalf Payments - Local	358,776	-	-	-	358,776
Investment Income	7,862	-	1,078	-	8,940
Total Revenues	<u>790,195</u>	<u>351,945</u>	<u>78,033</u>	<u>20,013</u>	<u>1,240,186</u>
<b>Expenditures</b>					
Instructional Services					
Purchased Services	25,931	-	130,482	8,525	164,938
Other Objects	368	-	144	-	512
Administrative					
On-Behalf Payments - State	287,088	-	-	-	287,088
On-Behalf Payments - Local	358,776	-	-	-	358,776
Intergovernmental					
Payments to Other Governments	127,885	386,105	-	-	513,990
Total Expenditures	<u>800,048</u>	<u>386,105</u>	<u>130,626</u>	<u>8,525</u>	<u>1,325,304</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,853)</u>	<u>(34,160)</u>	<u>(52,593)</u>	<u>11,488</u>	<u>(85,118)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	76,000	-	-	-	76,000
Transfers Out	-	-	(76,000)	-	(76,000)
	<u>76,000</u>	<u>-</u>	<u>(76,000)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	66,147	(34,160)	(128,593)	11,488	(85,118)
Fund Balances - Beginning	<u>7,001</u>	<u>(16,314)</u>	<u>434,917</u>	<u>55,655</u>	<u>481,259</u>
Fund Balances - Ending	<u>\$ 73,148</u>	<u>\$ (50,474)</u>	<u>\$ 306,324</u>	<u>\$ 67,143</u>	<u>\$ 396,141</u>

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

**McHENRY COUNTY**  
**REGIONAL OFFICE OF EDUCATION NO. 44**  
**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, 2019**

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS \$ (85,118)

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

Some revenues will not be collected for several months after the ROE's fiscal year ends; they are considered "unavailable" revenues and are deferred inflows of resources in the governmental funds.

Current year unavailable revenue

State sources

50,474

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (34,644)

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

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2019**

	Business-Type Activities Nonmajor Enterprise Fund
	Fingerprinting Fund
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 9,999
Total Current Assets	9,999
Total Assets	9,999
<b>NET POSITION</b>	
Unrestricted	9,999
Total Net Position	\$ 9,999

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

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
For the Year Ended June 30, 2019**

	Business-Type Activities Nonmajor Enterprise Fund <u>Fingerprinting Fund</u>
Operating Revenues	
Charges for Services	\$ 9,999
Total Operating Revenues	<u>9,999</u>
Operating Expenses	
Purchased Services	-
Total Operating Expenses	<u>-</u>
Operating Income	<u>9,999</u>
Net Position - Beginning	<u>-</u>
Net Position - Ending	<u><u>\$ 9,999</u></u>

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



**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Year Ended June 30, 2019**

	Business-Type Activities Nonmajor Enterprise Fund <u>Fingerprinting Fund</u>
Cash Flows from Operating Activities:	
Receipts from Customers	<u>\$ 9,999</u>
Cash Provided by Operating Activities	<u>9,999</u>
Increase in Cash and Cash Equivalents	9,999
Cash and Cash Equivalents - Beginning	<u>-</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 9,999</u></u>
Reconciliation of Operating Income to Cash Provided by Operating Activities:	
Operating Income	<u>\$ 9,999</u>
Cash Provided by Operating Activities	<u><u>\$ 9,999</u></u>

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

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2019**

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,311
Due from Other Governments	27,190
Total Assets	\$ 28,501
<b>LIABILITIES</b>	
Due to Other Governments	\$ 28,501

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

**McHENRY COUNTY**  
**REGIONAL OFFICE OF EDUCATION NO. 44**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

In 2019, the Regional Office of Education No. 44 implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*; and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The implementation of GASB Statement No. 83 and GASB Statement No. 88 had no significant impact on the financial statements of the McHenry County Regional Office of Education No. 44.

**REPORTING ENTITY**

The McHenry County Regional Office of Education No. 44 (ROE) was formed under the provisions of the State of Illinois, Illinois State Board of Education. The McHenry County Regional Office of Education No. 44 operates under the School Code (105 ILCS 5/3 and 5/3A). A Regional Superintendent of Schools serves as Chief Administrative Officer of McHenry County Regional Office of Education No. 44 and is elected to the position for a four-year term pursuant to 105 ILCS 5/3 and 5/3A of the School Code.

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 McHenry County Regional Office of Education No. 44's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

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

**McHENRY COUNTY**  
**REGIONAL OFFICE OF EDUCATION NO. 44**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for the districts in the McHenry County Regional Office of Education No. 44, 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, 2019, the McHenry County Regional Office of Education No. 44 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 McHenry County Regional Office of Education No. 44.

The financial statements of the McHenry County Regional Office of Education No. 44 have been prepared in conformity with the Generally Accepted Accounting Principles (GAAP) as applied to governmental units.

**SCOPE OF THE REPORTING ENTITY**

The McHenry County Regional Office of Education No. 44 reporting entity includes all related organizations for which they exercise oversight responsibility.

The McHenry County Regional Office of Education No. 44 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the McHenry County Regional Office of Education No. 44, 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 McHenry County Regional Office of Education No. 44 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The districts and joint agreements 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 McHenry County Regional Office of Education No. 44 does not control the assets, operations, or management of the districts or joint agreements. In addition, the McHenry County Regional Office of Education No. 44 is not aware of any entity, which would exercise such oversight as to result in the McHenry County Regional Office of Education No. 44 being considered a component unit of the entity.

**McHENRY COUNTY**  
**REGIONAL OFFICE OF EDUCATION NO. 44**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**BASIS OF PRESENTATION**

**Government-Wide Statements**

The ROE's basic financial statements include both government-wide (reporting the ROE as a whole) and fund financial statements (reporting the ROE's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

In the government-wide Statement of Net Position, the governmental activities column is: (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets/deferred outflows and receivables as well as long-term debt/deferred inflows and obligations. The ROE's net position is reported in three parts: net investment in capital assets; restricted; and unrestricted. The ROE first utilizes restricted resources to finance qualifying activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants, contributions and interest restricted to meeting the operational requirements or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

This government-wide focus is more on the sustainability of the ROE as an entity and the change in the ROE's net position resulting from the current year's activities.

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 other funds on the governmental fund Balance Sheet and proprietary fund Statement of Net Position and as other financing sources/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.

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**June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**BASIS OF PRESENTATION – Continued**

**Government-Wide Statements – Continued**

All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities. In the Statement of Activities, activities between governmental funds have been eliminated; however, transactions between governmental and business-type activities have not been eliminated.

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

**Fund Financial Statements**

The financial transactions of the ROE are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets/deferred outflows, liabilities/deferred inflows, fund balance, revenues and expenditures/expenses. The emphasis in fund financial statements is on the major funds in the governmental activities categories.

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets/deferred outflows, liabilities/deferred inflows, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The ROE may electively add funds, as major funds, which have a specific or community focus. The nonmajor funds are combined in a single column in the fund financial statements. A fund is considered major if it is the primary operating fund of the ROE or meets the following criteria:

Total assets/deferred outflows, liabilities/deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

Total assets/deferred outflows, liabilities/deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**BASIS OF PRESENTATION – Continued**

**Fund Financial Statements – Continued**

The various funds are reported within the financial statements. The following fund types are used by the ROE:

**Governmental Funds**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the ROE:

*General Fund.* The General Fund is the general operating fund of the ROE. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major fund. The following accounts are included in the general fund:

*General Fund* - It is used to record transactions in connection with general administrative activities.

*Regional Safe Schools Program - General State Aid (RSSP-GSA)* - The RSSP – GSA consists of State funds received for the administration of the Regional Safe Schools Program (RSSP) and for payment of expenses of general operations.

*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. The ROE reports two major special revenue funds and two nonmajor special revenue funds. Major special revenue funds include the following:

*Education Fund.* Used to account for the State and federal grants and contracts administered by the Regional Office of Education. The education accounts are as follows:

*ROE/ISC Operations* - Used to account for monies received for, and payment of, assisting schools in all areas of school improvement.

*Title II - Teacher Quality Leadership Grant* - Used to account for grant monies received for, and payment of, expenditures incurred in providing teacher and principal evaluation training to educators.

**McHENRY COUNTY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**BASIS OF PRESENTATION – Continued**

**Fund Financial Statements – Continued**

**Governmental Funds – Continued**

*Regional Safe Schools Program* - This fund is an alternative schooling program for disruptive youth, creating alternative placement for those students who are suspended and/or are deemed ineligible.

*Regional Safe Schools Cooperative* - This program provides activities for disruptive students who are eligible for suspension or expulsion. The activities provide individually designed curriculum, social skills training, career exploration and work experience opportunities, and opportunities to work toward re-entry into the traditional programs, if appropriate.

*Institute Fund.* Used to account for fees collected for the registration and renewal of teaching licenses. These fees are used to defray administrative expenses incidental to teachers' institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers or for the purpose of defraying the expenses of any general or special meeting of teachers or school personnel, which has been approved. All funds generated remain restricted until expended only on the aforementioned activities.

*Nonmajor Special Revenue Funds* - The Regional Office of Education reported the following special revenue funds as nonmajor governmental funds:

*General Education Development* - Used to account for the revenues and expenditures associated with the processing of applications for the high school level Test of General Educational Development and the issuance of diplomas upon successful completion of the examination. Statute requires excess funds accumulated for periods exceeding three years to be transferred into the Institute Fund.

*Transportation* - Used to account for the revenues and expenditures incurred in conducting initial and refresher training classes for school bus drivers.



**McHENRY COUNTY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**BASIS OF PRESENTATION – Continued**

**Fund Financial Statements – Continued**

**Proprietary Funds**

Proprietary funds are those which account for resources from fees charged directly to those entities or individuals that use its services. Proprietary funds are as follows:

*Fingerprinting* - To account for the administration of the Fingerprinting Program. Revenues are received from member school districts and private entities.

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 the proprietary fund.

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

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

**Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the McHenry County Regional Office of Education No. 44 in a trustee capacity or as an agent for individuals, private organizations, other Governmental units, and/or other funds. The Fiduciary Funds include the following:

*Agency Funds* – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency Funds include the following:

*Regional Board of School Trustees* – Used to account for the marketing and disposal of school properties belonging to local education agencies and for clearing of monies used for expenses related to detachment petitions.

**McHENRY COUNTY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**BASIS OF PRESENTATION – Continued**

**Fund Financial Statements – Continued**

**Fiduciary Funds – Continued**

*Distributive Fund* – Used to account for funds received and disbursed as a result of the Superintendent’s responsibility to receive and distribute to treasurers of school districts and other agencies, monies due to them from general State aid, State categorical grants, and various other sources. Interest earned on Distributive Fund assets is used to fund existing programs.

**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 provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues received more than 60 days after the end of the current period are considered unavailable revenue and are shown as deferred inflows of resources in the governmental fund financial statements but are recognized as current revenues in the government-wide financial statements.

In applying the susceptible-to-accrual concept under the modified accrual basis, those revenues susceptible to accrual are intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Capital asset acquisitions are reported as expenditures in governmental funds.

Under the terms of grant agreements, the ROE funds certain programs by a combination of specific cost-reimbursement grant resources to such programs, and then general revenues. It is the ROE’s policy to first apply restricted funds, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned, if any.

**McHENRY COUNTY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR FUND BALANCE**

**Cash and Investments**

The cash and investment balances of the ROE are valued at cost. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

State regulations require that the ROE deposit funds under its control into accounts insured by the federal government, secured by substantial collateral or into pooled investment trusts. All funds not needed for immediate disbursements are maintained in interest bearing accounts. Statutes authorize ROE to make deposits or invest in obligations of states and their political subdivisions, saving accounts, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Public Treasurer's Investment Pool.

**Receivables**

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Major receivables balances for governmental and business-type activities include amounts due from other governments. Due from other governments represents amounts due from the Illinois State Board of Education, other agencies, and districts.

**Interfund Receivables, Payables and Activity**

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$500 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

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR FUND BALANCE – Continued**

incurred. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the ROE as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statements. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

The ROE reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Equipment	5 - 10 Years
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In the fund financial statements, fixed assets used in governmental operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**Deferred Outflows/Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. As of June 30, 2019, the ROE did not have any deferred outflows of resources.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental funds consist of receivables not collected within 60 days after year end.

**McHENRY COUNTY**  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR FUND BALANCE – Continued**

**Unearned Revenue**

The ROE reports unearned revenue when proceeds have been received but will be earned or spent in a succeeding fiscal year.

**Net Position**

Net position of the Regional Office of Education is classified as follows:

*Net Investment in Capital Assets* - consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of borrowings that are attributable to the acquisition of those assets.

*Restricted Net Position* - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

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

**Revenue**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

Non-exchange transactions, in which the Regional Office of Education receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Regional Office of Education must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Regional Office of Education on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

**McHENRY COUNTY**  
**REGIONAL OFFICE OF EDUCATION NO. 44**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR FUND BALANCE – Continued**

**Revenue – Continued**

Revenues from Federal and State grant awards are recorded net of the amount due to the State for the unused portion of the grant or the amount carried over to the following fiscal year project. Amounts due to the State or carried over to the following year project are recorded as liabilities.

Charges for services result from exchange or exchange-like transactions, in which customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. Teacher licensure and permit revenues are recognized in the year for which the licenses and permits are issued.

**Management Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**BUDGETARY INFORMATION**

The ROE did not adopt a formal budget nor is it legally required to do so for the year ended June 30, 2019; subsequently, the accompanying financial statements are not presented on a budgetary basis whereby budget and actual revenues and expenditures are compared; however, the Illinois State Board of Education, a granting agent, requires budgets for certain program money. For the year ended June 30, 2019, a budgetary comparison schedule is presented for the following grant funds: ROE/ISC Operations, Title II - Teacher Quality Leadership, Regional Safe Schools Program, and Regional Safe Schools Cooperative.

**McHENRY COUNTY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued**

**DEFICIT FUND BALANCE/NET POSITION**

The following funds had deficit fund balance as of the date of this report:

Fund	Deficit
Education Fund	
Regional Safe School Program	\$ 46,656
Regional Safe School Cooperative	3,818
	\$ 50,474

**DEPOSITS AND INVESTMENTS**

The *Illinois Compiled Statutes* authorize the McHenry County Regional Office of Education No. 44 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.

The Illinois Funds is an investment pool managed by the Illinois Public Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. The Illinois Funds is not registered with the SEC as an investment company. Investments in Illinois Funds are valued at the share price, the price for which the investment could be sold.

**Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk**

*Deposits and Investments.* At June 30, 2019, the carrying amount of the McHenry County Regional Office of Education No. 44’s government-wide and agency deposits were \$473,893 and \$1,311, respectively. The government-wide and agency bank balances were \$441,359 and \$81,787, respectively. Of the total bank balances as of June 30, 2019, \$255,000 was secured by federal depository insurance, \$7,953 was invested in Illinois Funds Money Market Fund and \$260,193 was collateralized by securities pledged by the McHenry County Regional Office of Education No. 44’s financial institution in the name of the Regional Office.

The Regional Office of Education No. 44’s investment policy requires that funds should be invested solely in investments authorized by 30 ILCS 235/2 and 6 and 105 ILCS 5/8-7. As of June 30, 2019, the Regional Office of Education No. 44 had investments with carrying and fair values of \$7,953 invested in the Illinois Funds Money Market Fund.

**McHENRY COUNTY**  
**REGIONAL OFFICE OF EDUCATION NO. 44**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued**

**DEPOSITS AND INVESTMENTS – Continued**

*Credit Risk.* At June 30, 2019, the Illinois Funds Money Market Fund had a Standards and Poor's AAAM rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

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

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of the failure of a financial institution, the ROE will not be able to recover its investments or will not be able to recover collateral securities that are in the possession of an outside party. At year-end, the Regional Office of Education's investments are fully collateralized.

For an investment, this is the risk that in the event of the failure of the counterparty, the ROE will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year-end, the ROE's investment in the Illinois Fund is not subject to custodial credit risk.

*Concentration Risk.* This is the risk of loss attributed to the magnitude of the ROE's investment in a single issuer. The ROE shall diversify its investments to the best of its ability based on the type of funds invested and the 'cash flow needs of those funds. Diversification can be by type of investment, number of institutions invested in, and length of maturity. At year-end, the ROE does not have any investments over 5 percent of the total cash and investment portfolio (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).



**McHENRY COUNTY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 3 – DETAIL NOTES ON ALL FUNDS**

**CAPITAL ASSETS**

**Governmental Activities**

Governmental capital asset activity for the year was as follows:

	Balances June 30, 2018	Increases	Decreases	Balances June 30, 2019
<b>Governmental Activities:</b>				
<u>Education Fund</u>				
Depreciable Capital Assets				
Equipment	\$ 10,176	\$ -	\$ -	\$ 10,176
Less Accumulated Depreciation				
Equipment	10,176	-	-	10,176
<hr/>				
Governmental Activities				
Investment in Capital Assets, Net	\$ -	\$ -	\$ -	-
<hr/> <hr/>				

No depreciation expense was charged to the education function in the current year.

**INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

**Interfund Transfers**

Interfund transfers for the year consisted of the following:

	Transfers In
	General
Transfers Out	
Institute Fund	\$ 76,000

Transfers are generally made to provide supplemental funding or move resources from the fund required to collect the resources to the fund required to expend the resources.

**McHENRY COUNTY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**DUE FROM/TO OTHER GOVERNMENTS**

The General, Education, Transportation, and Fiduciary Funds have funds due from/to various other governmental units which consist of the following:

Due from Other Governments:

General Fund	
Local Governments	\$ 10,099
Education Fund	
Illinois State Board of Education	50,474
Transportation Fund	
Local Governments	2,012
Fiduciary Fund	
Illinois State Board of Education	27,190
Total	<u>\$ 89,775</u>

Due to Other Governments:

Education Fund	
Local Governments	\$ 50,474
Fiduciary Fund	
Local Governments	28,501
Total	<u>\$ 78,975</u>

**ON-BEHALF PAYMENTS**

The breakdown of the on-behalf payments by the State of Illinois for the Regional Superintendent and the Assistant Regional Superintendent of the ROE are as follows:

Regional Superintendent - Salary	\$ 117,600
Assistant Regional Superintendent - Salary	105,840
Regional Superintendent - Benefits (includes state paid insurance)	28,839
Assistant Regional Superintendent - Benefits (includes state paid insurance)	34,809
Total On-Behalf Payments - State	<u>\$ 287,088</u>

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**ON-BEHALF PAYMENTS – Continued**

Salary and benefit data for the Regional Superintendent and the Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education (ISBE). The ROE recorded the on-behalf payments as both revenues and expenditures in the General Fund.

McHenry County provides the ROE with staff and pay certain expenditures on behalf of the Regional Office. The expenditures paid on the ROE’s behalf for the year ended June 30, 2019, were as follows:

Salaries, benefits, and expenses	\$ 317,312
Value of building space	<u>41,464</u>
Total On-Behalf Payments - Local	<u><u>\$ 358,776</u></u>

**NET POSITION/FUND BALANCE**

**Fund Balance Classifications**

In the governmental funds financial statements, the ROE considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The ROE first utilizes committed, then assigned and then unassigned fund balance when an expenditure is incurred for purposes for which all three unrestricted fund balances are available.

*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, in either form or through legal restrictions. There are no accounts presenting a nonspendable fund balance.

*Restricted Fund Balance* - the portion of a Governmental Fund’s net position that is subject to external enforceable legal restrictions. The following funds are restricted by Illinois Statute: Institute Fund, General Education Development, and Transportation.

*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. There are no accounts presenting a committed fund balance.

**McHENRY COUNTY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**NET POSITION/FUND BALANCE – Continued**

**Fund Balance Classifications – Continued**

*Assigned Fund Balance* - the portion of a Governmental Fund's net position to denote an intended use of resources. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. There are no accounts presenting an assigned fund balance.

*Unassigned Fund Balance* - available expendable financial resources in a governmental fund that are not designated for a specific purpose. The unassigned balance is made up of a portion of General Fund, Regional Safe Schools Program, and Regional Safe School Cooperative.

**NOTE 4 – OTHER INFORMATION**

**RISK MANAGEMENT**

The ROE is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to the ROE's employees. The ROE has purchased insurance from private insurance companies. Risks covered included certain types of liabilities and bonds. Premiums have been displayed as expenditures/expenses in appropriate funds. There were no significant changes in insurance coverages from the prior year and settlements did not exceed insurance coverage in any of the past three fiscal years.

**CONTINGENT LIABILITIES**

**Litigation**

The ROE is not involved in any lawsuits at June 30, 2019.

**State and Federal Aid Contingencies**

The ROE has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. Management believes such disallowance, if any, would be immaterial.

**McHENRY COUNTY**  
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**NOTE 4 – OTHER INFORMATION – Continued**

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 12, 2020, the date when the financial statements were available to be issued.

The COVID-19 outbreak in the United States and specifically in Illinois has caused disruption of the ROE's normal financial operations with the ROE office being closed to the public and minimal staff working on site. Additionally, access to grants and contracts from federal, State and local governments may decrease or may not be available depending on funding levels of the grantors as a result of the pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the ROE's financial condition, liquidity, and future results of operations. Management is actively monitoring the pandemic situation on its financial condition, liquidity, operations, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the potential impact and duration of the pandemic is unknown as of the date the financial statements were available to be issued. The ROE has taken steps to ensure that it can continue to function efficiently while most of its staff shelter at home to mitigate the effects of the pandemic. This includes the establishment of remote connectivity and teleworking capability for numerous ROE staff.

SUPPLEMENTAL INFORMATION

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
COMBINING SCHEDULE OF ACCOUNTS  
GENERAL FUND  
June 30, 2019**

	General Fund	Regional Safe Schools Program- General State Aid	Total General Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 63,049	\$ -	\$ 63,049
Due from Other Governments	10,099	-	10,099
Total Assets	\$ 73,148	\$ -	\$ 73,148
<b>FUND BALANCES</b>			
Unassigned	\$ 73,148	\$ -	\$ 73,148
Total Fund Balances	\$ 73,148	\$ -	\$ 73,148

**McHENRY COUNTY**  
**REGIONAL OFFICE OF EDUCATION NO. 44**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GENERAL FUND ACCOUNTS**  
**For the Year Ended June 30, 2019**

	General Fund	Regional Safe Schools Program- General State Aid	Total General Fund
<b>Revenues</b>			
State Sources	\$ -	\$ 127,885	\$ 127,885
Local Sources	8,584	-	8,584
On-Behalf Payments - State	287,088	-	287,088
On-Behalf Payments - Local	358,776	-	358,776
Investment Earnings	7,862	-	7,862
Total Revenues	662,310	127,885	790,195
<b>Expenditures</b>			
Instructional Services			
Purchased Services	25,931	-	25,931
Other Objects	368	-	368
Administrative			
On-Behalf Payments - State	287,088	-	287,088
On-Behalf Payments - Local	358,776	-	358,776
Intergovernmental			
Payments to Other Governments	-	127,885	127,885
Total Expenditures	672,163	127,885	800,048
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>			
	(9,853)	-	(9,853)
<b>Other Financing Sources</b>			
Transfers In	76,000	-	76,000
<b>Change in Fund Balances</b>			
	66,147	-	66,147
<b>Fund Balances - Beginning</b>			
	7,001	-	7,001
<b>Fund Balances - Ending</b>			
	\$ 73,148	\$ -	\$ 73,148



**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND  
June 30, 2019**

	ROE/ISC Operations	Title II - Teacher Quality Leadership Grant	Regional Safe Schools Program	Regional Safe Schools Cooperative	Total Education Fund
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ -	\$ -	\$ 27,752	\$ -	\$ 27,752
Due from Other Governments	-	-	46,656	3,818	50,474
State	-	-	74,408	3,818	78,226
Total Assets	\$ -	\$ -	\$ 74,408	\$ 3,818	\$ 78,226
<b>LIABILITIES</b>					
Accounts Payable	\$ -	\$ -	\$ 27,752	\$ -	\$ 27,752
Due to Other Governments	-	-	46,656	3,818	50,474
Local	-	-	74,408	3,818	78,226
Total Liabilities	\$ -	\$ -	\$ 74,408	\$ 3,818	\$ 78,226
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue	-	-	46,656	3,818	50,474
<b>FUND BALANCES</b>					
Unassigned	-	-	(46,656)	(3,818)	(50,474)
Total Fund Balances (Deficit)	-	-	(46,656)	(3,818)	(50,474)
Total Liabilities Deferred Inflows of Resources and Fund Balances (Deficit)	\$ -	\$ -	\$ 74,408	\$ 3,818	\$ 78,226

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
EDUCATION FUND ACCOUNTS  
For the Year Ended June 30, 2019**

	ROE/ISC Operations	Title II - Teacher Quality Leadership Grant	Regional Safe Schools Program	Regional Safe Schools Cooperative	Total Education Fund
Revenues					
Federal Sources	\$ -	\$ 3,136	\$ -	\$ -	\$ 3,136
State Sources	181,673	-	121,821	45,315	348,809
Total Revenues	181,673	3,136	121,821	45,315	351,945
Expenditures					
Intergovernmental					
Payments to Other Governments	181,673	3,136	155,513	45,783	386,105
Total Expenditures	181,673	3,136	155,513	45,783	386,105
Net Change in Fund Balances	-	-	(33,692)	(468)	(34,160)
Fund Balances - Beginning	-	-	(12,964)	(3,350)	(16,314)
Fund Balances - Ending	\$ -	\$ -	\$ (46,656)	\$ (3,818)	\$ (50,474)

**McHENRY COUNTY  
 REGIONAL OFFICE OF EDUCATION NO. 44  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNT  
 ROE/ISC OPERATIONS  
 For the Year Ended June 30, 2019**

	Budget		Actual
	Original	Final	
Revenues			
State Sources	\$ 174,916	\$ 174,916	\$ 181,673
Expenditures			
Intergovernmental			
Payments to Other Governments	174,916	174,916	181,673
Total Expenditures	174,916	174,916	181,673
Net Change in Fund Balance	\$ -	\$ -	-
Fund Balance - Beginning			-
Fund Balance - Ending			\$ -

**McHENRY COUNTY  
 REGIONAL OFFICE OF EDUCATION NO. 44  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNT  
 TITLE II- TEACHER QUALITY LEADERSHIP GRANT  
 For the Year Ended June 30, 2019**

	Budget		Actual
	Original	Final	
Revenues			
Federal Sources	\$ 3,527	\$ 3,527	\$ 3,136
Expenditures			
Instructional Services			
Salaries and Benefits	127	127	-
Purchased Services	3,400	3,400	-
Intergovernmental			
Payments to Other Governments	-	-	3,136
Total Expenditures	<u>3,527</u>	<u>3,527</u>	<u>3,136</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund Balance - Beginning			<u>-</u>
Fund Balance - Ending			<u>\$ -</u>

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNT  
REGIONAL SAFE SCHOOLS PROGRAM  
For the Year Ended June 30, 2019**

	Budget		
	Original	Final	Actual
Revenues			
State Sources	\$ 155,513	\$ 155,513	\$ 121,821
Expenditures			
Instructional Services			
Salaries and Benefits	155,513	155,513	-
Intergovernmental			
Payments to Other Governments	-	-	155,513
Total Expenditures	155,513	155,513	155,513
Net Change in Fund Balance	\$ -	\$ -	(33,692)
Fund Balance (Deficit) - Beginning			(12,964)
Fund Balance (Deficit) - Ending			\$ (46,656)

**McHENRY COUNTY  
 REGIONAL OFFICE OF EDUCATION NO. 44  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNT  
 REGIONAL SAFE SCHOOLS COOPERATIVE  
 For the Year Ended June 30, 2019**

	Budget		Actual
	Original	Final	
Revenues			
State Sources	\$ 45,783	\$ 45,783	\$ 45,315
Expenditures			
Instructional Services			
Purchased Services	40,000	40,000	-
Supplies and Materials	3,783	3,783	-
Intergovernmental			
Payments to Other Governments	2,000	2,000	45,783
Total Expenditures	<u>45,783</u>	<u>45,783</u>	<u>45,783</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(468)
Fund Balance (Deficit) - Beginning			<u>(3,350)</u>
Fund Balance (Deficit) - Ending			<u>\$ (3,818)</u>

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2019**

	General Education Development	Transportation	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 38,687	\$ 28,082	\$ 66,769
Due from Other Governments	-	2,012	2,012
Total Assets	\$ 38,687	\$ 30,094	\$ 68,781
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ 1,638	\$ 1,638
<b>FUND BALANCES</b>			
Restricted	38,687	28,456	67,143
Total Liabilities and Fund Balances	\$ 38,687	\$ 28,456	\$ 67,143

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
For the Year Ended June 30, 2019**

	General Education Development	Transportation	Totals
Revenues			
State Sources	\$ -	\$ 2,012	\$ 2,012
Local Sources			
Intergovernmental	2,914	15,087	18,001
Total Revenues	<u>2,914</u>	<u>17,099</u>	<u>20,013</u>
Expenditures			
Instructional Services			
Purchased Services	-	8,525	8,525
Net Change in Fund Balances	2,914	8,574	11,488
Fund Balances - Beginning	<u>35,773</u>	<u>19,882</u>	<u>55,655</u>
Fund Balances - Ending	<u>\$ 38,687</u>	<u>\$ 28,456</u>	<u>\$ 67,143</u>



**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
ALL AGENCY FUNDS  
June 30, 2019**

	Regional Board of School Trustees	Distributive Fund	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,311	\$ -	\$ 1,311
Due from Other Governments	-	27,190	27,190
Total Assets	\$ 1,311	\$ 27,190	\$ 28,501
<b>LIABILITIES</b>			
Due to Other Governments	\$ 1,311	\$ 27,190	\$ 28,501

**McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
For the Year Ended June 30, 2019**

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
<b>Regional Board of School Trustees</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,311	\$ -	\$ -	\$ 1,311
<b>LIABILITIES</b>				
Due to Other Governments	\$ 1,311	\$ -	\$ -	\$ 1,311
<b>Distributive Fund</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	3,637	1,449,750	1,453,387	-
Due from Other Governments	89,584	27,190	89,584	27,190
Total Assets	<u>\$ 93,221</u>	<u>\$ 1,476,940</u>	<u>\$ 1,542,971</u>	<u>\$ 27,190</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 93,221</u>	<u>\$ 27,190</u>	<u>\$ 93,221</u>	<u>\$ 27,190</u>
<b>Totals</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	4,948	1,449,750	1,453,387	1,311
Due from Other Governments	89,584	27,190	89,584	27,190
Total Assets	<u>\$ 94,532</u>	<u>\$ 1,476,940</u>	<u>\$ 1,542,971</u>	<u>\$ 28,501</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 94,532</u>	<u>\$ 27,190</u>	<u>\$ 93,221</u>	<u>\$ 28,501</u>

**McHENRY COUNTY  
 REGIONAL OFFICE OF EDUCATION NO. 44  
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS  
 AND OTHER ENTITIES  
 DISTRIBUTIVE FUND  
 For the Year Ended June 30, 2019**

	Regional Office of Education #44	McHenry County Co-op	Total
General State Aid	\$ 127,885	\$ 21,193	\$ 149,078
Regional Safe Schools	119,234	-	119,234
Title II - Teacher Quality-Leadership Grant	3,127	-	3,127
School Bus Driver Training	2,012	-	2,012
ROE/ISC Operations	174,916	-	174,916
CTE - Perkins - Secondary	-	351,167	351,167
Career & Technical Education Improvement	-	590,546	590,546
Other State Programs	63,307	-	63,307
	<u>\$ 490,481</u>	<u>\$ 962,906</u>	<u>\$ 1,453,387</u>