

**STATE OF ILLINOIS
McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION # 44**

**FINANCIAL AUDIT
For the Year Ended June 30, 2015**

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
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**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #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

Offices are located at:

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #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.

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

| <u>Number of</u> | <u>This Audit</u> | <u>Prior Audit</u> |
|--|--------------------------|---------------------------|
| Audit findings | 4 | 4 |
| Repeated audit findings | 3 | 0 |
| Prior recommendations implemented or not repeated | 1 | 0 |

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

SUMMARY OF FINDINGS AND RESPONSES

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> | <u>Finding Type</u> |
|---|--------------------|---|----------------------------------|
| <i>Findings (Government Auditing Standards)</i> | | | |
| 2015-001 | 11a-11b | Controls over Financial Statement Preparation | Material Weakness |
| 2015-002 | 11c | Inadequate Internal Controls over Grant Funding | Material Weakness |
| 2015-003 | 11d-11e | Inadequate Internal Controls over Institute Funding | Material Weakness/ Compliance |
| 2015-004 | 11f | Inadequate Internal Controls over High School Equivalency Testing Program | Material Weakness/ Compliance |
| <i>Prior Audit Findings not Repeated (Government Auditing Standards)</i> | | | |
| 2014-004 | 13 | Internal Control over Disbursements | Material Weakness |

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
FINANCIAL REPORT SUMMARY (Concluded)**

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference on September 23, 2015. Attending were Leslie Schermerhorn, Regional Superintendent, Barbara Kempster, Bookkeeper and Michelle D. Smith, Partner, Kemper CPA Group LLP. Responses to the recommendations were provided by Leslie Schermerhorn, Regional Superintendent, on January 13, 2015.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
FINANCIAL STATEMENT REPORT SUMMARY**

The audit of the accompanying basic financial statements of the McHenry County Regional Office of Education #44 was performed by Kemper CPA Group LLP.

Based on their audit, the auditors expressed an unmodified opinion on the McHenry County Regional Office of Education #44's basic financial statements.



INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McHenry County Regional Office of Education #44, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the McHenry County Regional Office of Education #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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McHenry County Regional Office of Education #44, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 14a-14g be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the McHenry County Regional Office of Education #44's basic financial statements. The combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and 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 schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and Schedule of Disbursements to School District Treasurers and Other Entities are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and 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 April 6, 2016, on our consideration of the McHenry County Regional Office of Education #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 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 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 the McHenry County Regional Office of Education #44's internal control over financial reporting and compliance.

Kemper CPA Group LLP

Certified Public Accountants and Consultants

Evansville, Indiana

April 6, 2016

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McHenry County Regional Office of Education #44, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise McHenry County Regional Office of Education #44's basic financial statements, and have issued our report thereon dated April 6, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the McHenry County Regional Office of Education #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 #44's internal control. Accordingly, we do not express an opinion on the effectiveness of McHenry County Regional Office of Education #44's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2015-001, 2015-002, 2015-003, and 2015-004 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the McHenry County Regional Office of Education #44's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2015-003, and 2015-004.

Regional Office of Education #44's Responses to Findings

McHenry County Regional Office of Education #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 #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 #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 #44's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kemper CPA Group LLP

Certified Public Accountants and Consultants

Evansville, Indiana
April 6, 2016

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION I – SUMMARY OF AUDITORS' RESULTS
For the Year Ended June 30, 2015**

Financial Statements

| | |
|---|-------------------|
| Type of auditor's report issued: | <i>unmodified</i> |
| Internal control over financial reporting: | |
| Material weaknesses identified? | Yes |
| Significant deficiency identified? | None Reported |
| Noncompliance material to financial statements noted? | No |

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2015**

FINDING No. 2015-001- Controls over Financial Statement Preparation (Repeat of Prior Year Finding 14-001)

CRITERIA/SPECIFIC REQUIREMENT:

The Regional Office of Education #44 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office of Education #44's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

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

CONDITION:

The Regional Office of Education #44 does not have sufficient internal controls over the financial reporting process. The Regional Office of Education #44 maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While the Regional Office of Education #44 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

During review of the Regional Office of Education #44's financial information prepared by the Regional Office of Education #44, auditor's noted the Regional Office's financial information required material adjusting entries to accounts receivable, prepaid expenses, accounts payable, unearned revenue, revenue, expenses and fund balances in order to present its financial statements in accordance with generally accepted accounting principles. Proposed adjusting entries were approved and accepted by Regional Office management.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2015**

FINDING No. 2015-001- Controls over Financial Statement Preparation (Repeat of Prior Year Finding 14-001) (Concluded)

EFFECT:

The Regional Office of Education #44's management or its employees, in the normal course of performing their assigned functions, may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

CAUSE:

The Regional Office of Education does not have adequate funding to hire and/or train accounting personnel with the knowledge, skills and experience to prepare GAAP based financial statements.

RECOMMENDATION:

As part of internal control over the preparation of financial statements, the Regional Office of Education #44 should implement comprehensive preparation procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education #44's activities and operations.

MANAGEMENT'S RESPONSE:

The Regional Office will have discussions with the McHenry County Auditor's Office in January, 2016 to determine which avenues are available to have the financial statements appropriately prepared prior to the audit.

Nevertheless, the Regional Office does not have adequate funding to hire and/or train accounting personnel within the Regional Office with the knowledge, skills and experience to prepare GAAP based financial statements.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2015**

FINDING No. 2015-002 – Inadequate Internal Controls over Grant Funding (Repeat of Prior Year Finding 14-002)

CRITERIA/SPECIFIC REQUIREMENT:

As a recipient of federal, State, and local funds from various granting agencies, the Regional Office must incorporate certain procedures into its operations in order to comply with grant agreements with these entities. OMB Circular A-133 compliance requirements require the Regional Office to separately identify federal funding and non-federal funding in its accounting system.

CONDITION:

Federal grant funding received for the Title II – Teacher Quality – Leadership Grant was not separately identified. The funding was accounted for within the Institute Fund.

EFFECT:

The Regional Office is not in compliance with the requirement to separately identify federal funding.

CAUSE:

The Regional Superintendent was unaware of the requirement to separately identify federal funding.

RECOMMENDATION:

The Regional Office should comply with the OMB Circular A-133 and separately identify all federally funded grants in its accounting software.

MANAGEMENT'S RESPONSE:

Due to a miscommunication, Federal funds, specifically Title II funds, were set up with its own segregated line item within the Institute Fund as stated it would be per FY14 management response. The funds although listed as a separate line were not listed as a completely separate fund as OMB A-133 compliance requires. During fiscal year 2016, the Regional Office will separately identify all federal funding in its own fund to ensure full compliance.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2015**

FINDING No. 2015-003 – Inadequate Internal Controls over Institute Funding (Repeat of Prior Year Finding 14-003)

CRITERIA/SPECIFIC REQUIREMENT:

The Illinois School Code (105 ILCS 5/3-12) states that all license registration fees and a portion of renewal and duplicate fees shall be used by the Regional Superintendent to defray expenses connected with improving technology necessary for the efficient processing of licenses, to defray all costs associated with the administration of teaching licenses, and to defray 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 expense of any general or special meetings of teachers or school personnel of the region, which has been approved by the Regional Superintendent.

CONDITION:

The Regional Office expended \$1,724 of funds generated from license registration, renewal, and duplicate fees for the Regional Superintendent and Assistant Regional Superintendents to attend meetings, seminars, and conferences not related to teacher professional development. In addition, the Regional Office expended \$114 for flyers not related to teacher professional development.

EFFECT:

The Regional Office was not in compliance with Article 3 of the Illinois School Code (105 ILCS 5/3-12).

CAUSE:

Prior to the FY 2014 audit, the Regional Superintendent stated she was not clear on which expenses were allowed by the statute.

RECOMMENDATION:

The Regional Office of Education #44 should ensure that funds generated from license registration, renewal, and duplicate fees are expended in accordance with the Illinois School Code (105 ILCS 5/3-12). Additionally, the Institute Fund should be reimbursed from other Regional Office unrestricted sources of funds for the unallowable expenditures.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2015**

FINDING No. 2015-003 – Inadequate Internal Controls over Institute Funding (Repeat of Prior Year Finding 14-003) (Concluded)

MANAGEMENT’S RESPONSE:

There were a few expenditures that were processed early in FY2015 before the Regional Superintendent reviewed the statute and was made aware of which expenses were allowed to be paid from the Institute Fund. The Regional Superintendent will review all expenditures that are to be paid out of the Institute Fund to ensure it is in compliance with Article 3 of the Illinois School Code 105ILCS 5/3-12. The Regional Office has reimbursed the Institute Fund from unrestricted sources for the unallowable expenditures.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2015**

FINDING No. 2015-004 – Inadequate Internal Controls over High School Equivalency Testing Program

CRITERIA/SPECIFIC REQUIREMENT:

The Illinois School Code (105 ILCS 5/3-15.12) states that fees paid by individuals applying to take the High School Equivalency test are to be used for expenses incurred in administering and scoring the examination and other educational programs that are developed and designed by the regional superintendent of schools to assist those who successfully complete high school equivalency testing in furthering their academic development or their ability to secure and retain gainful employment, including programs for the competitive award based on test scores of college or adult education scholarship grants or similar educational incentives. Any excess monies shall be paid into the Institute Fund.

CONDITION:

The Regional Office expended \$5,124 of funds generated from the High School Equivalency Testing Program (GED) for salaries and travel reimbursements in the Truancy program, which were not allowed under the statute.

EFFECT:

The Regional Office was not in compliance with Article 3 of the Illinois School Code (105 ILCS 5/3-15.12).

CAUSE:

The Regional Superintendent stated she was not clear on which expenses were allowed by the statute.

RECOMMENDATION:

The Regional Office of Education should review the State statute and consult with the Illinois State Board of Education or legal counsel if there is uncertainty as to whether a particular expenditure is permitted for the High School Equivalency Testing Program under Article 3 of the Illinois School Code. The Regional Office should only use the monies for those purposes as outlined by the statute. The Regional Office should also transfer funds from local sources to repay those expenses that were not allowed by the statute.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2015

FINDING No. 2015-004 – Inadequate Internal Controls over High School Equivalency Testing Program (Concluded)

MANAGEMENT'S RESPONSE:

There were some truancy expenditures that were processed in FY2015 before the Regional Superintendent reviewed the State statute and was made aware of which expenses were allowed to be paid from the High School Equivalency Program Fund. The Regional Office has since reimbursed the High School Testing Program for those expenditures from other sources. The Regional Superintendent will review all expenditures that are to be paid out of the Truancy Fund to ensure it is in compliance with Article 3 of the Illinois School Code 105ILCS 5/3-15.12.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For Year Ended June 30, 2015**

Corrective Action Plan

FINDING No. 2015-001- Controls over Financial Statement Preparation

CONDITION:

The Regional Office of Education #44 does not have sufficient internal controls over the financial reporting process. The Regional Office of Education #44 maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While the Regional Office of Education #44 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

During review of the Regional Office of Education #44's financial information prepared by the Regional Office of Education #44, auditor's noted the Regional Office's financial information required material adjusting entries to accounts receivable, prepaid expenses, accounts payable, unearned revenue, revenue, expenses and fund balances in order to present its financial statements in accordance with generally accepted accounting principles. Proposed adjusting entries were approved and accepted by Regional Office management.

PLAN:

The Regional Office will have discussions with the McHenry County Auditor's Office in January, 2016 to determine which avenues are available to have the financial statements appropriately prepared prior to the audit.

ANTICIPATED DATE OF COMPLETION: January 2016

CONTACT PERSON:

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For Year Ended June 30, 2015**

Corrective Action Plan

FINDING No. 2015-002 – Inadequate Internal Controls over Grant Funding

CONDITION:

Federal grant funding received for the Title II – Teacher Quality – Leadership Grant was not separately identified. The funding was accounted for within the Institute Fund.

PLAN:

During fiscal year 2016, the Regional Office will separately identify all federal funding in its own fund to ensure full compliance.

ANTICIPATED DATE OF COMPLETION: Immediately upon learning of oversight.

CONTACT PERSON:

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For Year Ended June 30, 2015**

Corrective Action Plan

FINDING No. 2015-003 – Inadequate Internal Controls over Institute Funding

CONDITION:

The Regional Office expended \$1,724 of funds generated from license registration, renewal, and duplicate fees for the Regional Superintendent and Assistant Regional Superintendents to attend meetings, seminars, and conferences not related to teacher professional development. In addition, the Regional Office expended \$114 for flyers not related to teacher professional development.

PLAN:

The Regional Superintendent will review all expenditures that are to be paid out of the Institute Fund to ensure it is in compliance with Article 3 of the Illinois School Code 105ILCS 5/3-12. The Regional Office has reimbursed the Institute Fund from unrestricted sources for the unallowable expenditures.

ANTICIPATED DATE OF COMPLETION: Immediately upon learning of oversight.

CONTACT PERSON:

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For Year Ended June 30, 2015**

Corrective Action Plan

FINDING No. 2015-004 – Inadequate Internal Controls over High School Equivalency Testing Program

CONDITION:

The Regional Office expended \$5,124 of funds generated from the High School Equivalency Testing Program (GED) for salaries and travel reimbursements in the Truancy program, which were not allowed under the statute.

PLAN:

The Regional Office has since reimbursed the High School Testing Program for those expenditures from other sources. The Regional Superintendent will review all expenditures that are to be paid out of the Truancy Fund to ensure it is in compliance with Article 3 of the Illinois School Code 105ILCS 5/3-15.12.

ANTICIPATED DATE OF COMPLETION: Immediately upon learning of oversight.

CONTACT PERSON:

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For Year Ended June 30, 2015**

| <u>Finding No.</u> | <u>Condition</u> | <u>Current Status</u> |
|-------------------------------|--|------------------------------|
| 2014-001 | Controls over Financial Statement Preparation | Repeated |
| 2014-002 | Inadequate Internal Controls over Grant Funding | Repeated |
| 2014-003 | Inadequate Internal Controls over Institute Funding | Repeated |
| 2014-004 | Internal Control over Disbursements | Not Repeated |

MANAGEMENT'S DISCUSSION AND ANALYSIS

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

The Regional Office of Education #44 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year 2015 that ended on June 30, 2015. Readers are encouraged to consider this information in conjunction with the Regional Office's financial statements that follow.

2015 Financial Highlights

- Within the Governmental Funds, the General Fund revenues decreased by \$440,163 from \$1,102,352 in fiscal year 2014 to \$662,189 in fiscal year 2015. General Fund expenditures decreased by \$497,283 from \$1,163,545 in fiscal year 2014 to \$666,262 in fiscal year 2015. The majority of the revenue and expenditure decrease is due to a decrease in on-behalf payments received by the Regional Office. Also, this decrease is due to a change in how McHenry County calculated the value of office space occupied by the Regional Office.
- Within the Governmental Funds, the Special Revenue Fund revenue increased by \$197,737 from \$367,219 in fiscal year 2014 to \$564,956 in fiscal year 2015. The Special Revenue Fund expenditures increased by \$146,352 from \$385,928 in fiscal year 2014 to \$532,280 in fiscal year 2015. Significant increase in the Federal sources is a major factor in the net increase of both revenue and expense for 2015.

Using This Annual Report

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Regional Office's financial activities.
- The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Regional Office of Education as a whole and present an overall view of the Office's finances.
- Fund financial statements report the Regional Office's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the financial statements provide additional information that is needed for a full understanding of the data provided in the basic financial statements.
- Supplementary information provides detailed information for each category of funds and about the non-major funds.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Reporting the Regional Office of Education No. 44 as a Whole

The Statement of Net Position and the Statement of Activities

The government-wide statements report information about the Regional Office of Education #44 as a whole. The Statement of Net Position includes all of the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid, using accounting methods similar to those used by private-sector companies.

The two government-wide statements report the Office's net position and how it has changed. Net position (the difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources) is one way to measure the Office's financial health or position.

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

The government-wide financial statements present the Office's activities as both governmental and business-type activities. Local, state and federal aid finance most of these activities.

The fund financial statements provide detailed information about the McHenry County Regional Office's funds, focusing on its most significant or "major" funds. Funds are accounting devices that allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by state law. The Regional Office of Education #44 established other funds to control and manage money for particular purposes.

The Office has three kinds of funds:

- 1) Governmental funds account for most of the Office's services. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Office's programs. The Office's Governmental Funds include: the General Fund, Education Fund, Institute Fund, Transportation Fund and various other non-major funds.

The governmental funds required financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

Reporting the Regional Office of Education No. 44 as a Whole (Concluded)

- 2) Fiduciary funds are used to account for assets held by the Regional Office of Education #44 in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The fiduciary funds' required financial statements include a Statement of Fiduciary Net Position.

- 3) Proprietary funds account for activities where the ROE charges customers for services. These funds are most similar to a business that operates for a profit. The ROE has one enterprise fund, the Fingerprinting Fund.

The proprietary fund required financial statements include a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows.

Government–Wide Financial Analysis

As noted earlier, net position may serve, when examined over time, as one indicator of the financial position of the Regional Office. The net position at the end of fiscal year 2015 totaled \$484,923. At the end of fiscal year 2014, the net position was \$452,306. Net position related to the following funds is considered restricted: Institute Fund is considered restricted for teacher professional development, General Educational Development is considered restricted for educational programs to assist those students who completed the GED test to further their academic development or secure gainful employment and Transportation is restricted for use of bus driver training. The analysis that follows provides a summary of the Office's net position as of June 30, 2015 and 2014, for the governmental and business–type activities.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

**CONDENSED STATEMENT OF NET POSITION
June 30, 2015 and 2014**

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|-------------------------|------------|--------------------------|-----------|--------------------------|------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Assets | | | | | | |
| Current assets | \$ 484,158 | \$ 424,671 | \$ 52,328 | \$ 66,998 | \$ 536,486 | \$ 491,669 |
| Capital assets, being depreciated, net | 338 | 642 | - | - | 338 | 642 |
| Total Assets | 484,496 | 425,313 | 52,328 | 66,998 | 536,824 | 492,311 |
| Current Liabilities | 35,449 | 21,580 | 16,452 | 18,425 | 51,901 | 40,005 |
| Total Liabilities | 35,449 | 21,580 | 16,452 | 18,425 | 51,901 | 40,005 |
| Net Position: | | | | | | |
| Net investment in capital assets | 338 | 642 | - | - | 338 | 642 |
| Unrestricted | 11,224 | 5,297 | 35,876 | 48,573 | 47,100 | 53,870 |
| Restricted - other | 437,485 | 397,794 | - | - | 437,485 | 397,794 |
| Total Net Position | \$ 449,047 | \$ 403,733 | \$ 35,876 | \$ 48,573 | \$ 484,923 | \$ 452,306 |

The Regional Office of Education's net position increased by \$22,079 from fiscal year 2014 to fiscal year 2015.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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

CHANGES IN NET POSITION
For the Years Ended June 30, 2015 and 2014

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--------------------------------|-------------------------|-------------------|--------------------------|------------------|--------------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues: | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$ - | \$ - | \$ 101,745 | \$ 115,609 | \$ 101,745 | \$ 115,609 |
| Operating grants | 393,986 | 276,458 | - | - | 393,986 | 276,458 |
| General Revenues | | | | | | |
| Local sources | 139,761 | 89,539 | - | - | 139,761 | 89,539 |
| State sources | 131,734 | 146,385 | - | - | 131,734 | 146,385 |
| Federal sources | 19,872 | - | - | - | 19,872 | - |
| Interest income | 388 | 417 | 70 | 83 | 458 | 500 |
| On-behalf payments - Local | 224,308 | 618,935 | - | - | 224,308 | 618,935 |
| On-behalf payments - State | 317,096 | 337,837 | - | - | 317,096 | 337,837 |
| Transfers | 17,015 | 12,055 | (17,015) | (12,055) | - | - |
| Total revenues | <u>1,244,160</u> | <u>1,481,626</u> | <u>84,800</u> | <u>103,637</u> | <u>1,328,960</u> | <u>1,585,263</u> |
| Expenses: | | | | | | |
| Program expenses | | | | | | |
| Purchased services | 190,088 | 136,269 | 92,394 | 102,736 | 282,482 | 239,005 |
| Supplies and materials | 18,940 | 21,550 | 3 | - | 18,943 | 21,550 |
| Payment to other governments | 443,825 | 370,747 | - | - | 443,825 | 370,747 |
| Depreciation expense | 304 | 34 | - | - | 304 | 34 |
| Other objects | 4,285 | 63,459 | 5,100 | 9,123 | 9,385 | 72,582 |
| Administration expenses | | | | | | |
| On-behalf payments - Local | 224,308 | 618,935 | - | - | 224,308 | 618,935 |
| On-behalf payments - State | 317,096 | 337,837 | - | - | 317,096 | 337,837 |
| Total expenses | <u>1,198,846</u> | <u>1,548,831</u> | <u>97,497</u> | <u>111,859</u> | <u>1,296,343</u> | <u>1,660,690</u> |
| Changes in net position | 45,314 | (67,205) | (12,697) | (8,222) | 32,617 | (75,427) |
| Net position beginning of year | 403,733 | 470,938 | 48,573 | 56,795 | 452,306 | 527,733 |
| Net position end of year | <u>\$ 449,047</u> | <u>\$ 403,733</u> | <u>\$ 35,876</u> | <u>\$ 48,573</u> | <u>\$ 484,923</u> | <u>\$ 452,306</u> |

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Governmental Activities

Revenues for governmental activities were \$1,244,160 and expenses were \$1,198,846 for the year ended June 30, 2015. Revenues for governmental activities were \$1,481,626 and expenses were \$1,548,831 for the year ended June 30, 2014. Revenue and expense decreased due to a decrease in on behalf payments. These decreases are also due to a change in how McHenry County calculated the value of office space occupied by the Regional Office.

Business-type Activities

Revenues for business-type activities were \$101,745 and expenses were \$97,497 for the year ended June 30, 2015. Revenues for business-type activities were \$115,609 and expenses were \$111,859 for the year ended June 30, 2014. The decrease in revenues and expenditures is due primarily to a decreased number of background checks performed within FY2015.

Financial analysis of the Regional Office of Education #44 Funds

As previously noted, the Regional Office of Education #44 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Regional Office's Governmental Funds reported combined fund balances of \$448,709 at June 30, 2015 compared to fiscal year 2014's ending fund balance of \$403,091. Fund balances increased in the current year due to increases in funding as previously described.

Budgetary Highlights

The Regional Office of Education #44 creates a budget and submits it to McHenry County. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the County Board for their approval. The Office Operations Budget covers a fiscal year that runs from December 1 to November 30. All grant budgets are prepared by the Regional Office of Education #44 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency.

Capital Assets

Capital assets of the Regional Office of Education #44 include office equipment. The Regional Office of Education #44 maintains an inventory of capital assets that have been accumulated over time. During the year ended June 30, 2015, Regional Office of Education #44 purchased no new assets and deleted no assets, resulting in an ending balance of \$338. In addition, the Regional Office of Education #44 has adopted a depreciation schedule that reflects the level of Net Governmental Activities Capital Assets. More detailed information about capital assets is available in Note 3 of the financial statements.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

Economic Factors and Next Year's Budget

At the time these financial statements were prepared and audited, the Regional Office of Education #44 was aware of several existing circumstances that could affect its financial health in the future:

- The State funding for ROE/ISC Operations was eliminated for FY16.
- Both revenue and expenses for Business–Type Activities could decrease now that some school districts are providing background services themselves.
- Federal funding has decreased for the Title II program.
- ROE #44 was awarded a Pilot Grant for RSSP (Regional Safe School Program) – Career and College Readiness for FY16.

Contacting the Regional Office's Financial Management

This financial report is designed to provide the Regional Office's citizens, taxpayers, clients, and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the Regional Office of Education #44 at McHenry County Government Center 2200 N. Seminary Avenue (Route 47) Woodstock, Illinois 60098.

BASIC FINANCIAL STATEMENTS

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
STATEMENT OF NET POSITION
June 30, 2015

| | Governmental Activities | Business-Type Activities | Total |
|-------------------------------------|----------------------------|-----------------------------|-------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 446,577 | \$ 36,494 | \$ 483,071 |
| Accounts receivable | 1,236 | 10,834 | 12,070 |
| Due (to) from other funds | (5,000) | 5,000 | - |
| Due from other governments: | | | |
| State | 9,320 | - | 9,320 |
| Federal | 22,908 | - | 22,908 |
| Local | 8,221 | | 8,221 |
| Prepaid expenses | 896 | - | 896 |
| Total current assets | <u>484,158</u> | <u>52,328</u> | <u>536,486</u> |
| NONCURRENT ASSETS | | | |
| Capital assets, net of depreciation | 338 | - | 338 |
| Total noncurrent assets | <u>338</u> | <u>-</u> | <u>338</u> |
| TOTAL ASSETS | <u>484,496</u> | <u>52,328</u> | <u>536,824</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | 3,621 | 10,480 | 14,101 |
| Due to other governments: | | | |
| State | 8,221 | - | 8,221 |
| Local | 23,607 | - | 23,607 |
| Unearned revenue | - | 5,972 | 5,972 |
| Total current liabilities | <u>35,449</u> | <u>16,452</u> | <u>51,901</u> |
| TOTAL LIABILITIES | <u>35,449</u> | <u>16,452</u> | <u>51,901</u> |
| NET POSITION | | | |
| Investment in capital assets | 338 | - | 338 |
| Restricted - other | 437,485 | - | 437,485 |
| Unrestricted | 11,224 | 35,876 | 47,100 |
| TOTAL NET POSITION | <u>\$ 449,047</u> | <u>\$ 35,876</u> | <u>\$ 484,923</u> |

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

| FUNCTIONS/PROGRAMS | Net (Expense) Revenue and Changes in Net Position | | | | | |
|--------------------------------|--|-------------------------|---------------------|----------------------------|-----------------------------|-------------------|
| | Expenses | Program Revenues | | Primary Government | | Total |
| | | Charges for Services | Operating Grants | Governmental Activities | Business-Type Activities | |
| PRIMARY GOVERNMENT | | | | | | |
| Governmental Activities: | | | | | | |
| Instructional Services: | | | | | | |
| Purchased services | \$ 190,088 | \$ - | \$ 58,716 | \$ (131,372) | \$ - | \$ (131,372) |
| Supplies and materials | 18,940 | - | 19,301 | 361 | - | 361 |
| Other objects | 4,285 | - | - | (4,285) | - | (4,285) |
| Depreciation | 304 | - | - | (304) | - | (304) |
| Payments to other governments | 443,825 | - | 315,969 | (127,856) | - | (127,856) |
| Administrative: | | | | | | |
| On-behalf payments - State | 317,096 | - | - | (317,096) | - | (317,096) |
| On-behalf payments - Local | 224,308 | - | - | (224,308) | - | (224,308) |
| Total Governmental Activities | <u>1,198,846</u> | <u>-</u> | <u>393,986</u> | <u>(804,860)</u> | <u>-</u> | <u>(804,860)</u> |
| Business-type Activities: | | | | | | |
| Fingerprinting Fund | 97,497 | 101,745 | - | - | 4,248 | 4,248 |
| Total Business-type Activities | <u>97,497</u> | <u>101,745</u> | <u>-</u> | <u>-</u> | <u>4,248</u> | <u>4,248</u> |
| Total Primary Government | <u>\$ 1,296,343</u> | <u>\$ 101,745</u> | <u>\$ 393,986</u> | <u>(804,860)</u> | <u>4,248</u> | <u>(800,612)</u> |
| General Revenues: | | | | | | |
| Local sources | | | | 139,761 | - | 139,761 |
| State sources | | | | 131,734 | - | 131,734 |
| Federal sources | | | | 19,872 | - | 19,872 |
| On-behalf payments - Local | | | | 224,308 | - | 224,308 |
| On-behalf payments - State | | | | 317,096 | - | 317,096 |
| Interest income | | | | 388 | 70 | 458 |
| Transfers | | | | 17,015 | (17,015) | - |
| Total General Revenues | | | | <u>850,174</u> | <u>(16,945)</u> | <u>833,229</u> |
| Change in net position | | | | 45,314 | (12,697) | 32,617 |
| Net Position - beginning | | | | <u>403,733</u> | <u>48,573</u> | <u>452,306</u> |
| Net Position - ending | | | | <u>\$ 449,047</u> | <u>\$ 35,876</u> | <u>\$ 484,923</u> |

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

| | General Fund | Education Fund | Institute Fund | Nonmajor Special Revenue Funds | Eliminations | Total Governmental Funds |
|---|------------------|-------------------|-------------------|--------------------------------------|-----------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 9,768 | \$ - | \$ 384,472 | \$ 52,337 | \$ - | \$ 446,577 |
| Accounts receivable | 1,236 | - | - | - | - | 1,236 |
| Due from other funds | - | - | 676 | - | (676) | - |
| Due from other governments: | | | | | | |
| State | - | 9,320 | - | - | - | 9,320 |
| Federal | - | 22,908 | - | - | - | 22,908 |
| Local | - | 8,221 | - | - | - | 8,221 |
| Prepaid expenses | 896 | - | - | - | - | 896 |
| Total assets | <u>\$ 11,900</u> | <u>\$ 40,449</u> | <u>\$ 385,148</u> | <u>\$ 52,337</u> | <u>\$ (676)</u> | <u>\$ 489,158</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ - | \$ 3,621 | \$ - | \$ - | \$ - | \$ 3,621 |
| Due to other funds | 676 | 5,000 | - | - | (676) | 5,000 |
| Due to other governments: | | | | | | |
| State | - | 8,221 | - | - | - | 8,221 |
| Local | - | 23,607 | - | - | - | 23,607 |
| Total liabilities | <u>676</u> | <u>40,449</u> | <u>-</u> | <u>-</u> | <u>(676)</u> | <u>40,449</u> |
| FUND BALANCE | | | | | | |
| Nonspendable | 896 | - | - | - | - | 896 |
| Restricted | - | - | 385,148 | 52,337 | - | 437,485 |
| Unassigned | 10,328 | - | - | - | - | 10,328 |
| Total fund balance | <u>11,224</u> | <u>-</u> | <u>385,148</u> | <u>52,337</u> | <u>-</u> | <u>448,709</u> |
| TOTAL LIABILITIES AND FUND BALANCE | | | | | | |
| | <u>\$ 11,900</u> | <u>\$ 40,449</u> | <u>\$ 385,148</u> | <u>\$ 52,337</u> | <u>\$ (676)</u> | <u>\$ 489,158</u> |

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2015

| | |
|--|------------|
| Total fund balances - governmental funds | \$ 448,709 |
|--|------------|

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

| | |
|--|------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | <u>338</u> |
|--|------------|

| | |
|---|--------------------------|
| Net position of governmental activities | <u><u>\$ 449,047</u></u> |
|---|--------------------------|

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

| | General Fund | Education Fund | Institute Fund | NonMajor Special Revenue Funds | Total Governmental Funds |
|---|------------------|-------------------|-------------------|--------------------------------------|--------------------------------|
| REVENUES | | | | | |
| State sources | \$ 115,908 | \$ 250,765 | \$ - | \$ 1,707 | \$ 368,380 |
| Federal sources | - | 177,212 | - | - | 177,212 |
| Local sources | 4,869 | - | 125,574 | 9,318 | 139,761 |
| Interest | 8 | - | 287 | 93 | 388 |
| On-behalf payments - State | 317,096 | - | - | - | 317,096 |
| On-behalf payments - Local | 224,308 | - | - | - | 224,308 |
| Total revenues | <u>662,189</u> | <u>427,977</u> | <u>125,861</u> | <u>11,118</u> | <u>1,227,145</u> |
| EXPENDITURES | | | | | |
| Instructional Services: | | | | | |
| Purchased services | 2,911 | 83,674 | 80,426 | 23,077 | 190,088 |
| Supplies and materials | 2,440 | 16,386 | 114 | - | 18,940 |
| Other objects | 3,599 | - | 300 | 386 | 4,285 |
| Payments to other governments | 115,908 | 327,917 | - | - | 443,825 |
| On-behalf payments - State | 317,096 | - | - | - | 317,096 |
| On-behalf payments - Local | 224,308 | - | - | - | 224,308 |
| Total expenditures | <u>666,262</u> | <u>427,977</u> | <u>80,840</u> | <u>23,463</u> | <u>1,198,542</u> |
| Excess/(Deficiency) of revenues over (under) expenditures | <u>(4,073)</u> | <u>-</u> | <u>45,021</u> | <u>(12,345)</u> | <u>28,603</u> |
| OTHER FINANCING SOURCES | | | | | |
| Transfers in | 10,000 | - | 1,891 | 5,124 | 17,015 |
| Total other financing sources | <u>10,000</u> | <u>-</u> | <u>1,891</u> | <u>5,124</u> | <u>17,015</u> |
| Net change in fund balances | 5,927 | - | 46,912 | (7,221) | 45,618 |
| FUND BALANCES, BEGINNING OF YEAR | <u>5,297</u> | <u>-</u> | <u>338,236</u> | <u>59,558</u> | <u>403,091</u> |
| FUND BALANCES, END OF YEAR | <u>\$ 11,224</u> | <u>\$ -</u> | <u>\$ 385,148</u> | <u>\$ 52,337</u> | <u>\$ 448,709</u> |

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #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, 2015

| | |
|-----------------------------|-----------|
| Net change in fund balances | \$ 45,618 |
|-----------------------------|-----------|

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

Governmental funds report capital outlays as expenditures however,
in the Statement of Activities the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.

| | |
|----------------------|--------------|
| Depreciation expense | <u>(304)</u> |
|----------------------|--------------|

| | |
|---|-------------------------|
| Change in net position of governmental activities | <u><u>\$ 45,314</u></u> |
|---|-------------------------|

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2015**

| | | <u>Business-type Activities Enterprise Fund</u> |
|---------------------------|----|---|
| | | <u>Fingerprinting Fund</u> |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ | 36,494 |
| Accounts receivable | | 10,834 |
| Due from other funds | | <u>5,000</u> |
| Total Assets | | <u>52,328</u> |
| | | |
| Liabilities | | |
| Accounts payable | | 10,480 |
| Unearned revenue | | <u>5,972</u> |
| Total liabilities | | <u>16,452</u> |
| | | |
| Net Position | | |
| Unrestricted | | <u>35,876</u> |
| | | |
| Total Net Position | \$ | <u>35,876</u> |

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2015**

| | <u>Business-type Activities Enterprise Fund</u> |
|------------------------------------|---|
| | <u>Fingerprinting Fund</u> |
| Operating Revenues | |
| Charges for services | <u>\$ 101,745</u> |
| Operating Expenses | |
| Purchased services | 92,394 |
| Supplies and materials | 3 |
| Other objects | <u>5,100</u> |
| Total operating expenses | <u>97,497</u> |
| Operating Income | <u>4,248</u> |
| Nonoperating Revenue | |
| Interest income | <u>70</u> |
| Other Financing Sources and (Uses) | |
| Transfers out | <u>(17,015)</u> |
| Change in Net Position | (12,697) |
| Net Position, Beginning of year | <u>48,573</u> |
| Net Position, End of year | <u><u>\$ 35,876</u></u> |

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2015

| | Business-type Activities <u>Enterprise Fund</u> <u>Finger Printing</u> |
|---|---|
| Cash Flows from Operating Activities: | |
| Receipts from customers | \$ 89,375 |
| Payments to suppliers and providers of goods and services | <u>(97,934)</u> |
| Net cash provided by (used for) operating activities | <u>(8,559)</u> |
| Cash Flows from Noncapital Financing Activities: | |
| Cash transfer to other funds | (17,015) |
| Payments to other funds | <u>(5,000)</u> |
| Net cash provided by (used for) noncapital financing activities | <u>(22,015)</u> |
| Cash Flows from Investing Activities: | |
| Interest on investments | <u>70</u> |
| Net cash provided by investing activities | <u>70</u> |
| Net decrease in cash and cash equivalents | (30,504) |
| Cash and cash equivalents - Beginning of year | <u>66,998</u> |
| Cash and cash equivalents - End of year | <u>\$ 36,494</u> |
| Reconciliation of operating income to net cash provided by (used for) operating activities: | |
| Operating income | \$ 4,248 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| (Increase)/decrease in assets: | |
| Accounts receivable | (10,834) |
| Increase/(decrease) in liabilities: | |
| Unearned revenue | (1,536) |
| Accounts payable | <u>(437)</u> |
| Net cash provided by (used for) operating activities | <u>\$ (8,559)</u> |

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

| | <u>Agency Funds</u> |
|----------------------------|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 10,367 |
| Due from other governments | <u>4,369</u> |
| TOTAL ASSETS | <u><u>\$ 14,736</u></u> |
| LIABILITIES | |
| Due to other governments | <u>\$ 14,736</u> |
| TOTAL LIABILITIES | <u><u>\$ 14,736</u></u> |

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The McHenry County Regional Office of Education #44 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

A. DATE OF MANAGEMENT’S REVIEW

The McHenry County Regional Office of Education #44 has evaluated subsequent events through April 6, 2016, the date which the financial statements were available to be issued.

B. REPORTING ENTITY

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

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the McHenry County Regional Office of Education #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.

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 #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.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. REPORTING ENTITY (Concluded)

For the period ended June 30, 2015, the McHenry County Regional Office of Education #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 #44. Such activities are reported as a single special revenue fund (Education Fund).

C. SCOPE OF THE REPORTING ENTITY

The McHenry County Regional Office of Education #44 reporting entity includes all related organizations for which they exercise oversight responsibility.

The McHenry County Regional Office of Education #44 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the McHenry County Regional Office of Education #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 #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 #44 does not control the assets, operations, or management of the districts or joint agreements. In addition, the McHenry County Regional Office of Education #44 is not aware of any entity, which would exercise such oversight as to result in the McHenry County Regional Office of Education #44 being considered a component unit of the entity.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. NEW ACCOUNTING PRONOUNCEMENTS

In 2015, the Regional Office of Education #44 implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The McHenry County Regional Office of Education #44 implemented these standards during the current year. The implementation of GASB Statement No. 68 established new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. The implementation of GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The implementation of GASB No. 71 resolves an issue related to amounts associated with contributions, if any, made by a state or local government employer or non–employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

E. GOVERNMENT–WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government–wide financial statements. They report information on all of the McHenry County Regional Office of Education #44’s activities with most of the interfund activities removed. Governmental activities include programs supported primarily by State and federal grants and other intergovernmental revenues. The McHenry County Regional Office of Education #44 has one business–type activity that relies on fees and charges for support.

The McHenry County Regional Office of Education #44’s government–wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business–type activities for the McHenry County Regional Office of Education #44 accompanied by a total column. These statements are presented on an “economic resources” measurement focus as prescribed by GASB Statement No. 34. All of the McHenry County Regional Office of Education #44’s assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services, and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function.

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

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. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities. The purpose of interfund borrowing and permanent transfers is to cover temporary or permanent short falls in cash flow within grant programs and funds.

F. PROPRIETARY FUND FINANCIAL STATEMENTS

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for the major 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.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

H. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Concluded)

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the McHenry County Regional Office of Education #44; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Under the terms of grant agreements, McHenry County Regional Office of Education #44 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding resources available to finance the program. It is the McHenry County Regional Office of Education #44's policy to first apply restricted funds, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned if any.

I. FUND ACCOUNTING

The McHenry County Regional Office of Education #44 uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The McHenry County Regional Office of Education #44 uses governmental, proprietary, and fiduciary funds.

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

GOVERNMENTAL FUNDS

As prescribed by GASB Statement No. 34, governmental fund reporting focuses on the major funds, rather than on the fund type. There is a two-step process for determining if a fund should be reported as a major fund:

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

1) total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for the fund type, and 2) total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and proprietary funds combined. Funds that do not meet the major fund determination requirements are reported in aggregate as nonmajor funds.

The McHenry County Regional Office of Education #44 has presented all major funds that met the above qualifications. The McHenry County Regional Office of Education #44 reports the following major governmental funds:

General Fund – The General Fund is used to account for resources traditionally associated with government which are not required, legally or by sound financial management, to be accounted for and reported in another 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.

Major 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 or capital projects. Major special revenue funds include the following:

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

Safe and Drug Free Schools – To account for monies received from the federal government to support the Safe and Drug Free Schools Program.

ROE/ISC Operations – This program is used to account for grant monies received for, and payment of, expenditures to assist schools in all areas of school improvement.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Concluded)

Major Special Revenue Funds (Concluded)

Title II – Teacher Quality – Leadership Grant – To account for monies received from the State (federal dollars) to support school improvement services for schools in academic difficulty.

Regional Safe Schools Program (RSSP) – To account for the administration of monies to be used for the Regional Safe Schools Program Fund received from the Illinois State Board of Education. This fund is an alternative schooling program for disruptive youth, creating alternative placement for those students who are suspended and/or are deemed ineligible.

Rural Education Achievement Program (REAP) – This fund is used to account for monies received from the Federal government to pay expenses for the Regional Safe School.

Transportation – This fund accounts for bus drivers' permit fees which may be expended for bus drivers' refresher courses.

Institute – This fund accounts for teacher license registration, issuance and evaluation fees for processing licenses, and expenses of meetings of a professional nature. All funds generated remain restricted until expended only on the aforementioned activities.

The McHenry County Regional Office of Education #44 reports the following nonmajor governmental funds:

Nonmajor Special Revenue Funds – Nonmajor special revenue funds include the following:

General Educational Development – To account for the Regional Office of Education's administration of the GED Testing Program. Revenues are received from testing and diploma fees.

Supervisory Expense – To account for monies to be used for travel and other expenditures necessary to perform the duty of supervising the school districts under the ROE.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. FUND ACCOUNTING (Concluded)

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

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the McHenry County Regional Office of Education #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 – 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.

Distributive Fund – 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 them from general State aid, State categorical grants, and various other sources. Interest earned on Distributive Fund assets is used to fund existing programs.

McHenry County Cooperative for Employment Education – To account for assets held by the Regional Superintendent, in an agency capacity, for a vocational program which provides instruction for individuals in need of special training.

J. GOVERNMENTAL FUND BALANCES

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. GOVERNMENTAL FUND BALANCES (Concluded)

Nonspendable Fund Balance – the portion of a Governmental Fund’s net position that is not available to be spent, either short term or long term, in either form or through legal restrictions. The following funds have nonspendable fund balances: General Fund.

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: Transportation, Institute, General Educational Development, and Supervisory Expense.

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.

Assigned Fund Balance – the portion of a Governmental Fund’s net position for which an intended use of resources has been designated. 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 resources in a governmental fund that are not designated for a specific purpose. The unassigned fund balance is made up of the General Fund.

K. NET POSITION

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

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

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. BUDGETARY DATA

The McHenry County Regional Office of Education #44 acts as the administrative agent for certain grant programs that are accounted for in the General and Education Fund. Certain programs have separate budgets and are required to report to the Illinois State Board of Education, however, none of the annual budgets have been legally adopted nor are they required to be. Comparisons of budgeted and actual results are presented as supplemental information.

Budgetary comparison schedules have been provided in supplementary schedules for the following funds: Safe and Drug Free Schools, ROE/ISC Operations, and Title II – Teacher Quality – Leadership Grant, and Regional Safe Schools Program.

M. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on deposit. McHenry County Regional Office of Education #44 considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments with original maturities of more than three months are reported as investments.

N. 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 incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|--------------------------------|--------------|
| Office Equipment and Furniture | 5 – 10 years |
| Building Improvements | 15 years |

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

O. ESTIMATES

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

P. UNEARNED REVENUE

The Regional Office of Education #44 reports unearned revenue in the governmental fund Balance Sheet. Unearned revenue arises when grant funds received are unexpended or obligated at year end.

Q. REVENUE FROM FEDERAL AND STATE GRANTS

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

NOTE 2 – DEPOSITS AND INVESTMENTS

The *Illinois Compiled Statutes* authorize the McHenry County Regional Office of Education #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.

A. BANK DEPOSITS

At June 30, 2015, the carrying amount of the McHenry County Regional Office of Education #44's government-wide and agency deposits were \$483,071 and \$10,367, respectively. The government-wide and agency bank balances were \$492,121 and \$46,042, respectively. Of the total bank balances as of June 30, 2015, \$295,970 was secured by federal depository insurance, \$24,418 was invested in Illinois Funds Money Market Fund and \$217,775 was collateralized by securities pledged by the McHenry County Regional Office of Education #44's financial institution in the name of the Regional Office.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

NOTE 2 – DEPOSITS AND INVESTMENTS (Concluded)

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits with financial institutions is the risk that, in the event of bank failure, the ROE's deposits may not be returned to it. To guard against custodial credit risk for deposits with financial institutions, the McHenry County Regional Office of Education #44's investment policy requires that deposits with financial institutions in excess of FDIC limits be secured by some form of collateral, by a written agreement, and held at an independent, third-party institution in the name of the McHenry County Regional Office of Education #44.

B. INVESTMENTS

The McHenry County Regional Office of Education #44 does not have a formal investment policy but requires that funds be invested solely in investments authorized by the Public Funds Investment Act, 30 ILCS 235/2.

As of June 30, 2015, the carrying and fair value of the McHenry County Regional Office of Education #44's government-wide and agency investments were as follows:

| | <u>Government-Wide</u> | <u>Agency</u> |
|--|------------------------|---------------|
| Invested in Illinois Funds investment pool | <u>\$ 24,346</u> | <u>\$ 72</u> |

CREDIT RISK

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

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The Regional Office of Education #44's policy for reducing its exposure to the risk is to structure their portfolio so that securities mature to meet the cash requirements for ongoing operations. As of June 30, 2015, all the investments have investment maturities of less than one year.

CONCENTRATION OF CREDIT RISK

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

NOTE 3 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the McHenry County Regional Office of Education #44 has reported capital assets in the government-wide Statement of Net position. Purchases are reported as capital outlay in the governmental fund statements. Purchases of capital assets for business-type activities are capitalized when purchased. The following table provides a summary of changes in capital assets, accumulated depreciation, and investment in capital assets for the year ended June 30, 2015:

| | <u>Balance</u> <u>July 01, 2014</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2015</u> |
|--------------------------------------|--|------------------|------------------|--|
| Governmental Activities: | | | | |
| <u>Education Fund</u> | | | | |
| Equipment | \$ 10,176 | \$ - | \$ - | \$ 10,176 |
| Governmental Activities Total Assets | <u>10,176</u> | <u>-</u> | <u>-</u> | <u>10,176</u> |
| Less Accumulated Depreciation | | | | |
| Equipment | (9,534) | (304) | - | (9,838) |
| Total Accumulated Depreciation | <u>(9,534)</u> | <u>(304)</u> | <u>-</u> | <u>(9,838)</u> |
| Governmental Activities | | | | |
| Investment in Capital Assets, Net | <u>\$ 642</u> | <u>\$ (304)</u> | <u>\$ -</u> | <u>\$ 338</u> |

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2015 of \$304 was charged to the governmental activities, instructional services on the government-wide Statement of Activities. Investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation.

NOTE 4 – PENSION PLANS

All employees are paid by McHenry County or the State of Illinois, therefore, no provision or funding for pension costs is required.

NOTE 5 – DUE FROM/TO OTHER FUNDS

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

NOTE 5 – DUE FROM/TO OTHER FUNDS (Concluded)

| | Due From Other Funds | Due To Other Funds |
|----------------|-------------------------|-----------------------|
| Education Fund | \$ - | \$ 5,000 |
| General Fund | - | 676 |
| Institute Fund | 676 | - |
| Proprietary | 5,000 | - |
| | \$ 5,676 | \$ 5,676 |

TRANSFERS

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

| | Transfer Out | Transfer In |
|----------------------|--------------|-------------|
| Fingerprinting Fund | \$ 17,015 | \$ - |
| Institute Fund | - | 1,891 |
| Special Revenue Fund | - | 5,124 |
| General Fund | - | 10,000 |
| | \$ 17,015 | \$ 17,015 |

NOTE 6 – RISK MANAGEMENT

The McHenry County Regional Office of Education #44 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The McHenry County Regional Office of Education #44 has purchased commercial insurance to cover these risks. No losses have been incurred in excess of the amounts covered by insurance over the past three years.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – ON BEHALF PAYMENTS

The State of Illinois paid the following salaries and benefits on behalf of the McHenry County Regional Office of Education #44:

| | |
|---|-------------------|
| State of Illinois | |
| Regional Superintendent - salary | \$ 111,132 |
| Regional Superintendent - benefits (includes State paid insurance) | 26,776 |
| Assistant Regional Superintendent - salary | 100,020 |
| Assistant Regional Superintendent - benefits (includes State paid insurance) | 7,335 |
| TRS contributions | 69,680 |
| THIS contributions | 2,153 |
| Total | <u>\$ 317,096</u> |

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

McHenry County provides the Regional Office of Education #44 with staff and pays certain expenditures on-behalf of the Regional Office of Education # 44.

| | |
|---|-------------------|
| McHenry County | |
| Direct Expenditures (including salaries) | \$ 153,708 |
| Benefits | 34,290 |
| Value of Space Provided by McHenry County | 36,310 |
| McHenry County on-behalf payments | <u>224,308</u> |
| State of Illinois on-behalf payments | 317,096 |
| Total on-behalf payments | <u>\$ 541,404</u> |

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

NOTE 8 – DUE TO/FROM OTHER GOVERNMENTS

The McHenry County Regional Office of Education #44’s Education Fund, and Agency Fund have funds due to/from various other governmental units which consist of the following:

Due From Other Governments:

| | |
|-----------------------------------|------------------|
| <u>Education Fund</u> | |
| Federal Resources: | |
| U.S. Government | \$ 22,908 |
| State Resources: | |
| Illinois State Board of Education | 9,320 |
| Local Resources: | |
| Regional Office of Education #4 | 8,221 |
| <u>Agency Fund</u> | |
| State Resources: | |
| Illinois State Board of Education | 4,369 |
| Total | <u>\$ 44,818</u> |

Due To Other Governments:

| | |
|---------------------------|------------------|
| Due To Other Governments: | |
| <u>Education Fund</u> | |
| State Governments | \$ 8,221 |
| Local Governments | 23,607 |
| <u>Agency Fund</u> | |
| Local Governments | 14,736 |
| Total | <u>\$ 46,564</u> |

SUPPLEMENTAL INFORMATION

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2015**

| | General Fund | Regional Safe Schools Program - General State Aid | Totals |
|---------------------------------------|------------------|---|------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 9,768 | \$ - | \$ 9,768 |
| Accounts receivable | 1,236 | - | 1,236 |
| Prepaid expenses | 896 | - | 896 |
| Total Assets | <u>\$ 11,900</u> | <u>-</u> | <u>\$ 11,900</u> |
| Liabilities | | | |
| Due to other funds | \$ 676 | \$ - | \$ 676 |
| Total Liabilities | <u>676</u> | <u>-</u> | <u>676</u> |
| Fund Balance | | | |
| Nonspendable | 896 | - | 896 |
| Restricted | - | - | - |
| Unassigned | 10,328 | - | 10,328 |
| Total Fund Balance | <u>11,224</u> | <u>-</u> | <u>11,224</u> |
| Total Liabilities and Fund Balance | <u>\$ 11,900</u> | <u>\$ -</u> | <u>\$ 11,900</u> |

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND ACCOUNTS
For the Year Ended June 30, 2015

| | General Fund | Regional Safe Schools Program - General State Aid | Totals |
|---|------------------|---|------------------|
| Revenues | | | |
| State sources | \$ - | \$ 115,908 | \$ 115,908 |
| Local sources | 4,869 | - | 4,869 |
| Interest | 8 | - | 8 |
| On-behalf payments - State | 317,096 | - | 317,096 |
| On-behalf payments - Local | 224,308 | - | 224,308 |
| Total Revenues | 546,281 | 115,908 | 662,189 |
| Expenditures | | | |
| Purchased services | 2,911 | - | 2,911 |
| Supplies and materials | 2,440 | - | 2,440 |
| Payments to other governments | - | 115,908 | 115,908 |
| Other objects | 3,599 | - | 3,599 |
| On-behalf expenditures - State | 317,096 | - | 317,096 |
| On-behalf expenditures - Local | 224,308 | - | 224,308 |
| Total Expenditures | 550,354 | 115,908 | 666,262 |
| Excess/(Deficiency) of revenues over (under) expenditures | (4,073) | - | (4,073) |
| Other Financing Sources/(Uses) | | | |
| Transfers in | 10,000 | - | 10,000 |
| Total Other Financing Sources/(Uses) | 10,000 | - | 10,000 |
| Net change in fund balance | 5,927 | - | 5,927 |
| Fund Balance, Beginning of year | 5,297 | - | 5,297 |
| Fund Balance, End of year | \$ 11,224 | \$ - | \$ 11,224 |

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2015**

| | Title II - | | | | | | |
|---|-------------------------------|-----------------------|---------------------------------------|----------------------------------|-------------|--------|------------------|
| | Safe and Drug Free Schools | ROE/ISC Operations | Teacher Quality - Leadership Grant | Regional Safe Schools Program | REAP | Totals | |
| Assets | | | | | | | |
| Due from other governments | | | | | | | |
| Federal | \$ 17,408 | \$ - | \$ 5,500 | \$ - | \$ - | \$ | 22,908 |
| State | - | - | - | 9,320 | - | | 9,320 |
| Local | - | 8,221 | - | - | - | | 8,221 |
| Total Assets | <u>\$ 17,408</u> | <u>\$ 8,221</u> | <u>\$ 5,500</u> | <u>\$ 9,320</u> | <u>\$ -</u> | | <u>\$ 40,449</u> |
| Liabilities | | | | | | | |
| Accounts payable | \$ 3,621 | \$ - | \$ - | \$ - | \$ - | \$ | 3,621 |
| Due to other funds | - | - | 5,000 | - | - | | 5,000 |
| Due to other governments | | | | | | | |
| State | - | 8,221 | - | - | - | | 8,221 |
| Local | 13,787 | - | 500 | 9,320 | - | | 23,607 |
| Total Liabilities | <u>17,408</u> | <u>8,221</u> | <u>5,500</u> | <u>9,320</u> | <u>-</u> | | <u>40,449</u> |
| Fund Balance | | | | | | | |
| Restricted | - | - | - | - | - | | - |
| Total Fund Balance | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | | <u>-</u> |
| Total Liabilities & Fund Balance | <u>\$ 17,408</u> | <u>\$ 8,221</u> | <u>\$ 5,500</u> | <u>\$ 9,320</u> | <u>\$ -</u> | | <u>\$ 40,449</u> |

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2015**

| | Safe and Drug Free Schools | ROE/ISC Operations | Title II - Teacher Quality - Leadership Grant | Regional Safe Schools Program | REAP | Totals |
|---------------------------------|-------------------------------|-----------------------|---|----------------------------------|---------------|----------------|
| Revenues | | | | | | |
| State sources | \$ - | \$ 101,173 | \$ - | \$ 149,592 | \$ - | \$ 250,765 |
| Federal sources | 147,440 | - | 9,900 | - | 19,872 | 177,212 |
| Total Revenues | <u>147,440</u> | <u>101,173</u> | <u>9,900</u> | <u>149,592</u> | <u>19,872</u> | <u>427,977</u> |
| Expenditures | | | | | | |
| Purchased services | 74,274 | - | 9,400 | - | - | 83,674 |
| Supplies and materials | 16,386 | - | - | - | - | 16,386 |
| Payments to other governments | 56,780 | 101,173 | 500 | 149,592 | 19,872 | 327,917 |
| Total Expenditures | <u>147,440</u> | <u>101,173</u> | <u>9,900</u> | <u>149,592</u> | <u>19,872</u> | <u>427,977</u> |
| Net change in fund balance | - | - | - | - | - | - |
| Fund Balance, Beginning of year | - | - | - | - | - | - |
| Fund Balance, End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
SAFE AND DRUG FREE SCHOOLS
For the Year Ended June 30, 2015**

| | Budgeted Amounts | | Actual Amounts |
|---------------------------------|------------------|----------------|-------------------|
| | Original | Final | |
| Revenues | | | |
| Federal sources | \$ 125,000 | \$ 125,000 | \$147,440 |
| Total Revenues | <u>125,000</u> | <u>125,000</u> | <u>147,440</u> |
| Expenditures | | | |
| Purchased services | 35,195 | 49,216 | 74,274 |
| Supplies and materials | 10,210 | 19,301 | 16,386 |
| Payments to other governments | 78,095 | 56,483 | 56,780 |
| Other objects | 1,500 | - | - |
| Total Expenditures | <u>125,000</u> | <u>125,000</u> | <u>147,440</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | - |
| Fund Balance, Beginning of year | | | <u>-</u> |
| Fund Balance, End of year | | | <u>\$ -</u> |

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
ROE/ISC OPERATIONS
For the Year Ended June 30, 2015**

| | Budgeted Amounts | | Actual |
|---------------------------------|------------------|------------|------------|
| | Original | Final | Amounts |
| Revenues | | | |
| State sources | \$ 109,394 | \$ 109,394 | \$ 101,173 |
| Total Revenues | 109,394 | 109,394 | 101,173 |
| Expenditures | | | |
| Payments to other governments | 109,394 | 109,394 | 101,173 |
| Total Expenditures | 109,394 | 109,394 | 101,173 |
| Net change in fund balance | \$ - | \$ - | - |
| Fund Balance, Beginning of year | | | - |
| Fund Balance, End of year | | | \$ - |

**McHENRY COUNTY
 REGIONAL OFFICE OF EDUCATION #44
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNT
 TITLE II – TEACHER QUALITY – LEADERSHIP GRANT
 For the Year Ended June 30, 2015**

| | Budgeted Amounts | | Actual Amounts |
|---------------------------------|------------------|-----------|-------------------|
| | Original | Final | |
| Revenues | | | |
| Federal sources | \$ 10,000 | \$ 10,000 | \$ 9,900 |
| Total Revenues | 10,000 | 10,000 | 9,900 |
| Expenditures | | | |
| Purchased services | 9,500 | 9,500 | 9,400 |
| Payments to other governments | 500 | 500 | 500 |
| Total Expenditures | 10,000 | 10,000 | 9,900 |
| Net change in fund balance | \$ - | \$ - | - |
| Fund Balance, Beginning of year | | | - |
| Fund Balance, End of year | | | \$ - |

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
REGIONAL SAFE SCHOOLS PROGRAM
For the Year Ended June 30, 2015**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> |
|---------------------------------|-------------------------|----------------|----------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> |
| Revenues | | | |
| State sources | \$ 153,035 | \$ 149,592 | \$ 149,592 |
| Total Revenues | <u>153,035</u> | <u>149,592</u> | <u>149,592</u> |
| Expenditures | | | |
| Payments to other governments | <u>153,035</u> | <u>149,592</u> | <u>149,592</u> |
| Total Expenditures | <u>153,035</u> | <u>149,592</u> | <u>149,592</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | - |
| Fund Balance, Beginning of year | | | <u>-</u> |
| Fund Balance, End of year | | | <u>\$ -</u> |

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2015**

| | General Educational Development | Transportation | Supervisory | Totals |
|---------------------------|---------------------------------------|-----------------|-------------|------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 43,386 | \$ 8,948 | \$ 3 | \$ 52,337 |
| Total Assets | <u>\$ 43,386</u> | <u>\$ 8,948</u> | <u>\$ 3</u> | <u>\$ 52,337</u> |
| Fund Balance | | | | |
| Restricted | \$ 43,386 | \$ 8,948 | \$ 3 | \$ 52,337 |
| Total Fund Balance | <u>\$ 43,386</u> | <u>\$ 8,948</u> | <u>\$ 3</u> | <u>\$ 52,337</u> |

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2015

| | General Educational Development | Transportation | Supervisory Expense | Totals |
|---|---------------------------------------|-----------------|------------------------|------------------|
| Revenues | | | | |
| State sources | \$ - | \$ 1,707 | \$ - | \$ 1,707 |
| Local sources | | | | |
| GED fees | 1,693 | - | - | 1,693 |
| Permits | - | 7,625 | - | 7,625 |
| Interest | 78 | 15 | - | 93 |
| Total Revenues | <u>1,771</u> | <u>9,347</u> | <u>-</u> | <u>11,118</u> |
| Expenditures | | | | |
| Purchased services | 5,124 | 17,953 | - | 23,077 |
| Other objects | - | 386 | - | 386 |
| Total Expenditures | <u>5,124</u> | <u>18,339</u> | <u>-</u> | <u>23,463</u> |
| Excess/(Deficiency) of revenues over (under) expenditures | <u>(3,353)</u> | <u>(8,992)</u> | <u>-</u> | <u>(12,345)</u> |
| Other Financing Sources | | | | |
| Transfer in | 5,124 | - | - | 5,124 |
| Total Other Financing Sources (Uses) | <u>5,124</u> | <u>-</u> | <u>-</u> | <u>5,124</u> |
| Net change in fund balance | <u>1,771</u> | <u>(8,992)</u> | <u>-</u> | <u>(7,221)</u> |
| Fund Balance, Beginning of year | 41,615 | 17,940 | 3 | 59,558 |
| Fund Balance, End of year | <u>\$ 43,386</u> | <u>\$ 8,948</u> | <u>\$ 3</u> | <u>\$ 52,337</u> |

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
COMBINING STATEMENT OF FIDUCIARY NET POSITION
ALL AGENCY FUNDS
June 30, 2015**

| | Regional Board of School Trustees | Distributive Fund | McHenry County Cooperative for Employment Education | Totals |
|----------------------------|---|----------------------|---|------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 1,296 | \$ 2,780 | \$ 6,291 | \$ 10,367 |
| Due from other governments | - | - | 4,369 | 4,369 |
| Total Assets | <u>\$ 1,296</u> | <u>\$ 2,780</u> | <u>\$ 10,660</u> | <u>\$ 14,736</u> |
| Liabilities | | | | |
| Due to other governments | \$ 1,296 | \$ 2,780 | \$ 10,660 | \$ 14,736 |
| Total Liabilities | <u>\$ 1,296</u> | <u>\$ 2,780</u> | <u>\$ 10,660</u> | <u>\$ 14,736</u> |

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2015**

| | Balance July 01, 2014 | Additions | Deductions | Balance June 30, 2015 |
|--|--------------------------|---------------------|---------------------|--------------------------|
| <u>REGIONAL BOARD OF</u> | | | | |
| <u>SCHOOL TRUSTEES</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 144 | \$ 2,002 | \$ 850 | \$ 1,296 |
| Total Assets | <u>\$ 144</u> | <u>\$ 2,002</u> | <u>\$ 850</u> | <u>\$ 1,296</u> |
| Liabilities | | | | |
| Due to other governments | \$ 144 | \$ 2,002 | \$ 850 | \$ 1,296 |
| Total Liabilities | <u>\$ 144</u> | <u>\$ 2,002</u> | <u>\$ 850</u> | <u>\$ 1,296</u> |
| <u>DISTRIBUTIVE FUND</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 2,745 | \$ 2,526,908 | \$ 2,526,873 | \$ 2,780 |
| Total Assets | <u>\$ 2,745</u> | <u>\$ 2,526,908</u> | <u>\$ 2,526,873</u> | <u>\$ 2,780</u> |
| Liabilities | | | | |
| Due to other governments | \$ 2,745 | \$ 2,526,908 | \$ 2,526,873 | \$ 2,780 |
| Total Liabilities | <u>\$ 2,745</u> | <u>\$ 2,526,908</u> | <u>\$ 2,526,873</u> | <u>\$ 2,780</u> |
| <u>MCHENRY COUNTY COOPERATIVE</u> | | | | |
| <u>FOR EMPLOYMENT EDUCATION</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 14,245 | \$ 875,472 | \$ 883,426 | \$ 6,291 |
| Due from other governments | 51,132 | - | 46,763 | 4,369 |
| Total Assets | <u>\$ 65,377</u> | <u>\$ 875,472</u> | <u>\$ 930,189</u> | <u>\$ 10,660</u> |
| Liabilities | | | | |
| Due to other governments | \$ 65,377 | \$ 875,472 | \$ 930,189 | \$ 10,660 |
| Total Liabilities | <u>\$ 65,377</u> | <u>\$ 875,472</u> | <u>\$ 930,189</u> | <u>\$ 10,660</u> |
| <u>TOTALS</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 17,134 | \$ 3,404,382 | \$ 3,411,149 | \$ 10,367 |
| Due from other governments | 51,132 | - | 46,763 | 4,369 |
| Total Assets | <u>\$ 68,266</u> | <u>\$ 3,404,382</u> | <u>\$ 3,457,912</u> | <u>\$ 14,736</u> |
| Liabilities | | | | |
| Due to other governments | \$ 68,266 | \$ 3,404,382 | \$ 3,457,912 | \$ 14,736 |
| Total Liabilities | <u>\$ 68,266</u> | <u>\$ 3,404,382</u> | <u>\$ 3,457,912</u> | <u>\$ 14,736</u> |

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
DISTRIBUTIVE FUND
For the Year Ended June 30, 2015**

| | <u>Regional Office of Education # 44</u> | <u>McHenry County Co-op</u> | <u>Total</u> |
|---|--|---------------------------------|---------------------|
| General State Aid | \$ 221,055 | \$ - | \$ 221,055 |
| ROE/ISC Operations | 218,788 | - | 218,788 |
| Regional Safe Schools | 293,350 | - | 293,350 |
| Title II - Teacher Quality-Leadership Grant | 11,800 | - | 11,800 |
| CTE - Perkins - Secondary | - | 566,948 | 566,948 |
| Career & Technical Education Improvement | - | 1,193,353 | 1,193,353 |
| ROE School Bus Driver Training | 1,707 | - | 1,707 |
| REAP | 19,872 | - | 19,872 |
| | <u>\$ 766,572</u> | <u>\$ 1,760,301</u> | <u>\$ 2,526,873</u> |