

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

**FINANCIAL AUDIT
For the Year Ended June 30, 2018**

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
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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	5	4
Repeated audit findings	4	4
Prior recommendations implemented or not repeated	0	0

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

SUMMARY OF FINDINGS AND RESPONSES

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
Findings (Government Auditing Standards)			
2018-001	11a-11b	Controls over Financial Statement Preparation	Material Weakness
2018-002	11c	Noncompliance with Grant Requirements	Material Weakness/ Noncompliance
2018-003	11d	Improper Accounting of Grant Funds	Material Weakness
2018-004	11e	Inadequate Internal Controls Procedures	Material Weakness
2018-005	11f-11g	Delay of Audit	Noncompliance

There were no Prior Audit Findings not Repeated (Government Auditing Standards)

None

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 December 14, 2018. Attending were Leslie Schermerhorn, Regional Superintendent and Tami Knight, Kemper CPA Group LLP. Responses to the recommendations were provided by Leslie Schermerhorn, Regional Superintendent, on March 4, 2019.

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, Certified Public Accountants and Consultants.

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, 2018, 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 from material misstatement.

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

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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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the McHenry County Regional Office of Education #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 Others 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 Others 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 Others 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 February 26, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of McHenry County Regional Office of Education #44's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the McHenry County Regional Office of Education #44's internal control over financial reporting and compliance.

ORIGINAL SIGNATURE ON FILE

*Certified Public Accountants
and Consultants*

Mattoon, Illinois
March 22, 2019



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, 2018, 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 March 22, 2019.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2018-001, 2018-002, 2018-003, and 2018-004 that we consider 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2018-002 and 2018-005.

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.

ORIGINAL SIGNATURE ON FILE

*Certified Public Accountants
and Consultants*

Mattoon, Illinois
March 22, 2019

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION I – SUMMARY OF AUDITORS’ RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

Financial Statements in accordance with GAAP

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	Yes
• Significant deficiency identified?	No
Noncompliance material to financial statements noted?	Yes

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Finding No. 2018-001 – Controls over Financial Statement Preparation (Repeat of Finding 17-001, 16-001, 15-001 and 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). The Regional Office's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP-based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

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

Condition:

The Regional Office of Education #44 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP-based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors' review of the Regional Office's accounting records noted the following:

- The Regional Office's financial information required numerous adjusting entries to present the financial statements in accordance with generally accepted accounting principles.
- The initial trial balance provided to the auditors had four funds where the fund balance did not rollforward correctly from the prior year and the funds were out of balance as the aggregate fund balance in the QuickBooks file was not correctly allocated to funds/programs.
- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts payable, accounts receivable, and unearned revenue and made entries to record them, not all accounts payable, accounts receivable, and unearned revenue were correctly recorded.

Effect:

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Finding No. 2018-001 – Controls over Financial Statement Preparation (Repeat of Finding 17-001, 16-001, 15-001 and 14-001) (Concluded)

Cause:

According to the Regional Office officials, the Regional Office of Education #44 did not have adequate funding to hire and/or train accounting personnel with the knowledge, skills, and experience to prepare GAAP based financial statements.

Auditor's 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 the financial statements are complete and accurate. These procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education #44's activities and operations.

Management's Response:

Regional Office of Education #44 is in the process of replacing the Chalkable accounting package with a customized QuickBooks system. The new QuickBooks system is incorporating established ISBE fiscal policies. Each grant is coded separately and maintains a separate running fund balance.

The transition is being facilitated by the Assistant County Administrator – Finance and an accounting temporary employee. The transition is approximately 75% complete. Upon completion, trained Regional Office personnel may readily maintain complete records of accounts receivable, accounts payable, or unearned revenue. As the Regional Superintendent participated in the design and is knowledgeable of the new QuickBooks system, the Regional Superintendent will perform weekly oversight of the balances of accounts payable, accounts receivable, and unearned revenue to insure the accounts have been accurately recorded.

In June of 2018, the Regional Office of Education #44 allocated funds from the monies remaining in Regional Office's county budget, to hire an independent accounting firm to prepare the year-end financial statement. For FY19, that CPA firm will monitor and create quarterly financial statements to insure financial information is entered correctly.

The Regional Office of Education #44 is seeking funding from the McHenry County to hire the CPA firm for FY19 as the county budget allocation has reduced Regional Office's office funds, and the State of Illinois cannot fund the hiring of a CPA firm to prepare financial statements.

The Regional Office of Education #44 is also seeking funding from McHenry County Government to enable the Regional Office to hire personnel of sufficient financial experience/attention to detail to replace the eliminated bookkeeper position.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Finding No. 2018-002 – Noncompliance with Grant Requirements (Repeat Finding 17-002 and 16-002)

Criteria/Specific Requirement:

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

Condition:

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

Effect:

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

Cause:

According to the Regional Office officials, the Regional Office of Education completed its expenditure reports based on the budgeted amounts to accelerate State payments.

Auditor's Recommendation:

The Regional Office should ensure grant budgets and expenditure reports are prepared using current and accurate financial data based on reports obtained from the Regional Office's accounting system.

Management's Response:

In FY19, the individual sub grantees will provide the actual expenditures to the Regional Superintendent. The Regional Superintendent will review expenditures for appropriateness and accuracy. The Regional Superintendent will input the actual expenditures into the ISBE quarterly reporting system. Expenditure reports from the sub grantees accounting system will be submitted to the Regional Superintendent as back-up for these figures. All billing records are kept on-site at sub grantee location and these agencies undergo their own annual audits.

The 1st and 2nd quarter electronic expenditure reports for FY19 will be reviewed and corrected to reflect actual financial data.

Quarterly Electronic Expenditure Reports will be submitted on a timely basis.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Finding No. 2018-003 – Improper Accounting of Grant Funds (Repeat Finding 17-003 and 16-003)

Criteria/Specific requirement:

The Regional Office of Education #44 is required by the Illinois State Board of Education (ISBE) to maintain its accounting system consistent with the *ISBE Regional Office of Education Accounting Manual*. That manual requires the Regional Office of Education #44 to track grant funding activity separately by funding source in a set of self-balancing accounts.

Condition:

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

Effect:

Federal and State revenues and expenditures were not tracked separately in the Regional Office general ledger in accordance with the *ISBE Regional Office of Education Accounting Manual*. Also, Regional Office program activity was understated due to the omission of the three Education Fund grants and General State Aid funding.

Cause:

According to the Regional Office officials, the Regional Office of Education did not modify their previous method of accounting for these grants after being made aware of the requirement in FY16 and FY17.

Auditor's Recommendation:

The Regional Office of Education #44 should identify and record grant funds in accordance with requirements set forth in the *ISBE Regional Office of Education Accounting Manual*.

Management's Response:

The Regional Office of Education #44 is in the process of replacing the Chalkable accounting package with a customized QuickBooks system. The transition is being facilitated by the Assistant County Administrator – Finance and a temporary accounting employee. The transition is approximately 75% complete. Upon completion, trained Regional Office personnel may readily maintain complete records of accounts receivable, accounts payable, or unearned revenue. As the Regional Superintendent participated in the design and is knowledgeable of the new QuickBooks system, the Regional Superintendent will perform weekly oversight of the balances of accounts payable, accounts receivable, and unearned revenue to insure the accounts have been accurately recorded.

The new QuickBooks system is incorporating established ISBE fiscal policies. The QuickBooks system is coded separately for each grant.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Finding No. 2018-004– Inadequate Internal Control Procedures (Partial Repeat Finding 17-004 and 16-004)

Criteria/Specific Requirement:

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

Condition:

Auditors noted the individual responsible for reconciling cash accounts can accept over-the-counter cash receipts.

Effect:

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

Cause:

Due to budgetary constraints, the Regional Office has a limited accounting staff.

Auditor's Recommendation:

The Regional Office should develop policies and procedures to ensure the individual responsible for reconciling cash accounts does not accept over-the-counter cash receipts.

Management's Response:

The Regional Office of Education #44 has developed detailed procedures for the Regional Office's receipts process that will strengthen the internal controls and segregation of duties related to this process. These procedures have been formalized in the Regional Office's financial policies and procedures and were implemented immediately.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Finding No. 2018-005 – Delay of Audit

Criteria/Specific Requirement:

Regional Office of Education #44 is subject to 105 ILCS 5/2-3.17a which requires the Auditor General's office to cause an audit to be made, as of June 30th of each year, of the financial statements of all accounts, funds and other moneys in the care, custody or control of the regional superintendent of schools of each educational service region in the State and of each educational service center established in the School Code. The audit is to be conducted in accordance with Generally Accepted Governmental Auditing Standards.

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

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

Condition:

The Regional Office of Education #44 did not provide completed financial statements in an auditable form by the August 31 deadline. Financial records provided were not prepared on an accrual basis in accordance with GAAP.

Auditors noted the following deficiencies in the records provided by the ROE:

- The Regional Office required their audit to be scheduled late to allow time to contract with an accounting firm to assist with the preparation of GAAP financial statements and notes. Further delays were noted due to a lack of timely communication of the Regional Office with the Auditor General's Special Assistant Auditors.
- The Regional Office had an unexpected loss of their bookkeeper which caused the audit to be delayed further.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Finding No. 2018-005 – Delay of Audit

Effect:

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

Cause:

According to the Regional Office of Education #44's management, the Regional Superintendent's late hiring of the CPA firm caused for a delay in the FY18 financial statement being completed. Lack of sufficient staffing made audit preparation difficult. The Regional Offices bookkeeper was no longer on staff at time of audit.

Auditor's Recommendation:

The Regional Office of Education #44 should implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and 74 Ill. Adm. Code 420.320 (c) (2). Annual financial statements should be compiled on an accrual basis of accounting in accordance with GAAP. These financial statements need to be presented to the Auditor General's independent auditors for audit by the August 31 deadline.

Management's Response:

The Regional Office of Education #44 will continue contracting year round with CPA firm performing monthly financial statements. The Regional Superintendent's knowledge of the new QuickBooks account system will insure the accuracy of accounts and quarterly electronic expenditure reports. The new accounting system will be completed by April 1, 2019. Office staff reorganization will increase responsiveness to independent auditors by the Regional Superintendent. The Regional Office of Education #44 will submit financial statement information for the FY19 audit to the Auditor General's independent auditors by August 31, 2019.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

CORRECTIVE ACTION PLAN

Finding No. 2018-001 – Controls over Financial Statement Preparation (Repeat of Finding 17-001, 16-001, 15-001 and 14-001)

Condition:

The Regional Office of Education #44 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP-based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors' review of the Regional Office's accounting records noted the following:

- The Regional Office's financial information required numerous adjusting entries to present the financial statements in accordance with generally accepted accounting principles.
- The initial trial balance provided to the auditors had four funds where the fund balance did not rollforward correctly from the prior year and the funds were out of balance as the aggregate fund balance in the QuickBooks file was not correctly allocated to funds/programs.
- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts payable, accounts receivable, and unearned revenue and made entries to record them, not all accounts payable, accounts receivable, and unearned revenue were correctly recorded.

Plan:

Regional Office of Education #44 is in the process of replacing the Chalkable accounting package with a customized QuickBooks system. The new QuickBooks system is incorporating established ISBE fiscal policies. Each grant is coded separately and maintains a separate running fund balance.

The transition is being facilitated by the Assistant County Administrator – Finance and an accounting temporary employee. The transition is approximately 75% complete. Upon completion, trained Regional Office personnel may readily maintain complete records of accounts receivable, accounts payable, or unearned revenue. As the Regional Superintendent participated in the design and is knowledgeable of the new QuickBooks system, the Regional Superintendent will perform weekly oversight of the balances of accounts payable, accounts receivable, and unearned revenue to insure the accounts have been accurately recorded.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

CORRECTIVE ACTION PLAN (Continued)

Finding No. 2018-001 – Controls over Financial Statement Preparation (Repeat of Finding 17-001, 16-001, 15-001 and 14-001) (Concluded)

Plan (Concluded):

In June of 2018, the Regional Office of Education #44 allocated funds from the monies remaining in Regional Office's county budget, to hire an independent accounting firm to prepare the year-end financial statement. For FY19, that CPA firm will monitor and create quarterly financial statements to insure financial information is entered correctly.

The Regional Office of Education #44 is seeking funding from the McHenry County to hire the CPA firm for FY19 as the county budget allocation has reduced Regional Office's office funds, and the State of Illinois cannot fund the hiring of a CPA firm to prepare financial statements.

The Regional Office of Education #44 is also seeking funding from McHenry County Government to enable the Regional Office to hire personnel of sufficient financial experience/attention to detail to replace the eliminated bookkeeper position.

Anticipated Date of Completion:

June 30, 2019

Contact Person Responsible for Corrective Action:

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

CORRECTIVE ACTION PLAN (Continued)

Finding No. 2018-002 – Noncompliance with Grant Requirements (Repeat Finding 17-002 and 16-002)

Condition:

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

Plan:

In FY19, the individual sub grantees will provide the actual expenditures to the Regional Superintendent. The Regional Superintendent will review expenditures for appropriateness and accuracy. The Regional Superintendent will input the actual expenditures into the ISBE quarterly reporting system. Expenditure reports from the sub grantees accounting system will be submitted to the Regional Superintendent as back-up for these figures. All billing records are kept on-site at sub grantee location and these agencies undergo their own annual audits.

The 1st and 2nd quarter electronic expenditure reports for FY19 will be reviewed and corrected to reflect actual financial data.

Quarterly Electronic Expenditure Reports will be submitted on a timely basis.

Anticipated Date of Completion:

June 30, 2019

Contact Person Responsible for Corrective Action:

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

CORRECTIVE ACTION PLAN (Continued)

Finding No. 2018-003 – Improper Accounting of Grant Funds (Repeat Finding 17-003 and 16-003)

Condition:

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

Plan:

The Regional Office of Education #44 is in the process of replacing the Chalkable accounting package with a customized QuickBooks system. The transition is being facilitated by the Assistant County Administrator – Finance and a temporary accounting employee. The transition is approximately 75% complete. Upon completion, trained Regional Office personnel may readily maintain complete records of accounts receivable, accounts payable, or unearned revenue. As the Regional Superintendent participated in the design and is knowledgeable of the new QuickBooks system, the Regional Superintendent will perform weekly oversight of the balances of accounts payable, accounts receivable, and unearned revenue to insure the accounts have been accurately recorded.

The new QuickBooks system is incorporating established ISBE fiscal policies. The QuickBooks system is coded separately for each grant.

Anticipated Date of Completion:

June 30, 2019

Contact Person Responsible for Corrective Action:

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

CORRECTIVE ACTION PLAN (Continued)

Finding No. 2018-004– Inadequate Internal Control Procedures (Partial Repeat Finding 17-004 and 16-004)

Condition:

Auditors noted the individual responsible for reconciling cash accounts can accept over-the-counter cash receipts.

Plan:

The Regional Office of Education #44 has developed detailed procedures for the Regional Office's receipts process that will strengthen the internal controls and segregation of duties related to this process. These procedures have been formalized in the Regional Office's financial policies and procedures and were implemented immediately.

Anticipated Date of Completion:

June 30, 2019

Contact Person Responsible for Corrective Action:

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

CORRECTIVE ACTION PLAN (Concluded)

Finding No. 2018-005 – Delay of Audit

Condition:

The Regional Office of Education #44 did not provide completed financial statements in an auditable form by the August 31 deadline. Financial records provided were not prepared on an accrual basis in accordance with GAAP.

Auditors noted the following deficiencies in the records provided by the ROE:

- The Regional Office required their audit to be scheduled late to allow time to contract with an accounting firm to assist with the preparation of GAAP financial statements and notes. Further delays were noted due to a lack of timely communication of the Regional Office with the Auditor General's Special Assistant Auditors.
- The Regional Office had an unexpected loss of their bookkeeper which caused the audit to be delayed further.

Plan:

The Regional Office of Education #44 will continue contracting year round with CPA firm performing monthly financial statements. The Regional Superintendent's knowledge of the new QuickBooks account system will insure the accuracy of accounts and quarterly electronic expenditure reports. The new accounting system will be completed by April 1, 2019. Office staff reorganization will increase responsiveness to independent auditors by the Regional Superintendent. The Regional Office of Education #44 will submit financial statement information for the FY19 audit to the Auditor General's independent auditors by August 31, 2019.

Anticipated Date of Completion:

June 30, 2019

Contact Person Responsible for Corrective Action:

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS NOT REPEATED
FOR THE YEAR ENDED JUNE 30, 2018

**Finding
No.**

Condition

Current Status

There were no prior audit findings not repeated.

BASIC FINANCIAL STATEMENTS

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 497,382	\$ -	\$ 497,382
Due from other governments:			
Federal	200	-	200
State	85,370	-	85,370
Total current assets	582,952	-	582,952
TOTAL ASSETS	582,952	-	582,952
LIABILITIES			
CURRENT LIABILITIES			
Due to other governments:			
Local	85,370	-	85,370
Total current liabilities	85,370	-	85,370
TOTAL LIABILITIES	85,370	-	85,370
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	16,323	-	16,323
NET POSITION			
Restricted	474,258	-	474,258
Unrestricted	7,001	-	7,001
TOTAL NET POSITION	\$ 481,259	\$ -	\$ 481,259

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, 2018

FUNCTIONS/PROGRAMS	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT						
Governmental Activities:						
Instructional Services:						
Purchased services	\$ 138,789	\$ -	\$ 37,800	\$ (100,989)	\$ -	\$ (100,989)
Supplies and materials	1	-	3,450	3,449	-	3,449
Other objects	368	-	-	(368)	-	(368)
Intergovernmental:						
Payments to other governments	442,346	-	277,611	(164,735)	-	(164,735)
Administrative:						
On-behalf payments - State	278,988	-	-	(278,988)	-	(278,988)
On-behalf payments - Local	373,495	-	-	(373,495)	-	(373,495)
Total Governmental Activities	<u>1,233,987</u>	<u>-</u>	<u>318,861</u>	<u>(915,126)</u>	<u>-</u>	<u>(915,126)</u>
Business-type Activities:						
Fingerprinting fees	-	-	-	-	-	-
Total Business-type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 1,233,987</u>	<u>\$ -</u>	<u>\$ 318,861</u>	<u>(915,126)</u>	<u>-</u>	<u>(915,126)</u>
General Revenues:						
Local sources				173,355	-	173,355
State sources				236,887	-	236,887
On-behalf payments - Local				373,495	-	373,495
On-behalf payments - State				278,988	-	278,988
Investment earnings				423	81	504
Transfers In (Out)				2,469	(2,469)	-
Total General Revenues				<u>1,065,617</u>	<u>(2,388)</u>	<u>1,063,229</u>
Change in net position				150,491	(2,388)	148,103
Net Position - beginning				330,768	2,388	333,156
Net Position - ending				<u>\$ 481,259</u>	<u>\$ -</u>	<u>\$ 481,259</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, 2018

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Eliminations	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 6,810	\$ -	\$ 434,917	\$ 55,655	\$ -	\$ 497,382
Due from other funds	191	-	-	-	(191)	-
Due from other governments:						
Federal	-	200	-	-	-	200
State	-	85,370	-	-	-	85,370
Total assets	<u>\$ 7,001</u>	<u>\$ 85,570</u>	<u>\$ 434,917</u>	<u>\$ 55,655</u>	<u>\$ (191)</u>	<u>\$ 582,952</u>
LIABILITIES						
Due to other funds	\$ -	\$ 191	\$ -	\$ -	\$ (191)	\$ -
Due to other governments:						
Local	-	85,370	-	-	-	85,370
Total liabilities	<u>-</u>	<u>85,561</u>	<u>-</u>	<u>-</u>	<u>(191)</u>	<u>85,370</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	<u>-</u>	<u>16,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,323</u>
FUND BALANCE (DEFICIT)						
Restricted	-	-	434,917	55,655	-	490,572
Unassigned	7,001	(16,314)	-	-	-	(9,313)
Total fund balance (deficit)	<u>7,001</u>	<u>(16,314)</u>	<u>434,917</u>	<u>55,655</u>	<u>-</u>	<u>481,259</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE (DEFICIT)						
	<u>\$ 7,001</u>	<u>\$ 85,570</u>	<u>\$ 434,917</u>	<u>\$ 55,655</u>	<u>\$ (191)</u>	<u>\$ 582,952</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, 2018

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$ 481,259
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 481,259</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, 2018

	General Fund	Education Fund	Institute Fund	NonMajor Special Revenue Funds	Eliminations	Total Governmental Funds
REVENUES						
State sources	\$ 127,885	\$ 421,548	\$ -	\$ 1,915	\$ -	\$ 551,348
Federal sources	-	4,400	-	-	-	4,400
Local sources	1,400	-	160,421	11,534	-	173,355
On-behalf payments - State	278,988	-	-	-	-	278,988
On-behalf payments - Local	373,495	-	-	-	-	373,495
Investment Income	30	-	-	393	-	423
Total revenues	<u>781,798</u>	<u>425,948</u>	<u>160,421</u>	<u>13,842</u>	<u>-</u>	<u>1,382,009</u>
EXPENDITURES						
Instructional Services:						
Purchased services	100	4,400	128,247	6,042	-	138,789
Supplies and materials	-	-	-	1	-	1
Other objects	368	-	-	-	-	368
On-behalf payments - State	278,988	-	-	-	-	278,988
On-behalf payments - Local	373,495	-	-	-	-	373,495
Intergovernmental:						
Payments to other governments	127,885	314,461	-	-	-	442,346
Total expenditures	<u>780,836</u>	<u>318,861</u>	<u>128,247</u>	<u>6,043</u>	<u>-</u>	<u>1,233,987</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>962</u>	<u>107,087</u>	<u>32,174</u>	<u>7,799</u>	<u>-</u>	<u>148,022</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,472	-	-	-	(3)	2,469
Transfers out	-	-	-	(3)	3	-
Total other financing sources (uses)	<u>2,472</u>	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>2,469</u>
NET CHANGE IN FUND BALANCE	3,434	107,087	32,174	7,796	-	150,491
FUND BALANCE - BEGINNING	<u>3,567</u>	<u>(123,401)</u>	<u>402,743</u>	<u>47,859</u>	<u>-</u>	<u>330,768</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ 7,001</u>	<u>\$ (16,314)</u>	<u>\$ 434,917</u>	<u>\$ 55,655</u>	<u>\$ -</u>	<u>\$ 481,259</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, 2018

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS	<u>\$ 150,491</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 150,491</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, 2018

		Business-type Activities <u>Enterprise Fund</u>
		<u>Fingerprinting Fund</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$	-
Due from other funds		-
Total current assets		<u>-</u>
TOTAL ASSETS		<u>-</u>
NET POSITION		
Unrestricted		<u>-</u>
TOTAL NET POSITION	\$	<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, EXPENSES, AND CHANGES
IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Business-type Activities Enterprise Fund</u>	<u>Fingerprinting Fund</u>
OPERATING REVENUES		
Charges for services	\$ -	
Total operating revenues	<u>-</u>	
OPERATING EXPENSES		
Purchased services	<u>-</u>	
Total operating expenses	<u>-</u>	
OPERATING INCOME	<u>-</u>	
OTHER FINANCING SOURCES(USES)		
Transfers out	(2,469)	
Investment earnings	<u>81</u>	
Total other financing sources (uses)	<u>(2,388)</u>	
CHANGE IN NET POSITION	(2,388)	
TOTAL NET POSITION - BEGINNING	<u>2,388</u>	
TOTAL NET POSITION - ENDING	<u><u>\$ -</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, 2018

	<u>Business-type Activities Enterprise Fund</u> <u>Fingerprinting</u>
Cash Flows from Operating Activities:	
Receipts from customers	
Payments to suppliers and providers of goods and services	\$ -
Net cash provided by (used for) operating activities	<u>-</u>
Cash Flows from Noncapital Financing Activities:	
Payments for interfund borrowing, net	<u>(269)</u>
Net cash provided by (used for) noncapital financing activities	<u>(269)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>81</u>
Net cash provided by (used for) investing activities	<u>81</u>
Net decrease in cash and cash equivalents	(188)
Cash and cash equivalents - Beginning of year	<u>188</u>
Cash and cash equivalents - End of year	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) Decrease in:	
Accounts receivable	-
Increase (Decrease) in:	
Accounts payable	<u>-</u>
Net cash provided by (used for) operating activities	<u><u>\$ -</u></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, 2018

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 4,948
Due from other governments	89,584
TOTAL ASSETS	\$ 94,532
LIABILITIES	
Due to other governments	\$ 94,532
TOTAL LIABILITIES	\$ 94,532

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, 2018

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.

In 2018, the McHenry County Regional Office of Education #44 implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*; GASB Statement No. 81, *Irrevocable Split-Interest Agreements*; GASB Statement No. 85, Omnibus 2017; and GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The implementation of GASB Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, expenditures and identifies the note disclosure and RSI reporting requirements for other postemployment benefits (OPEB) other than pensions. The implementation of GASB Statement No. 81, GASB Statement No. 85, and GASB Statement No. 86 had no significant impact on the financial statements of the McHenry County Regional Office of Education #44.

A. DATE OF MANAGEMENT’S REVIEW

The McHenry County Regional Office of Education #44 has evaluated subsequent events through March 22, 2019 the date which the financial statements were available to be issued.

B. FINANCIAL REPORTING ENTITY

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FINANCIAL REPORTING ENTITY (Concluded)

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

For the period ended June 30, 2018, 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.

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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. GOVERNMENT–WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government–wide financial statements. They report information on all of the 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 (including capital assets), deferred outflows of resources, liabilities, and deferred inflows of resource are included in the accompanying Statement of Net Position.

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

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

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.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

E. GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

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 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.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. PROPRIETARY FUND FINANCIAL STATEMENTS (Concluded)

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.

G. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. 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 generally only current assets and current liabilities are included on their balance sheets. The reported fund balance (net current assets) is considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on a specific purpose or project before any amounts will be paid to the 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, 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 Regional Office of Education #44’s policy to first apply restricted funds to such programs, and then unrestricted funds. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned funds if any.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING

The 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 Regional Office of Education #44 uses governmental, proprietary, and fiduciary funds.

GOVERNMENTAL FUNDS

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

As prescribed by GASB Statement No. 34, governmental fund reporting focuses on the major funds, rather than on the fund type. There is a two-step process for determining if a fund should be reported as a major fund: (1) total assets (including deferred outflows), liabilities (including deferred inflows), revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for the fund type, and (2) total assets (including deferred outflows), liabilities (including deferred inflows), revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for all governmental and proprietary funds combined. Funds that do not meet the major fund determination requirements are reported in aggregate as nonmajor funds. The Regional office of Education #44 has presented all major funds that met the above qualifications.

The Regional Office of Education #44 reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources that benefit all school districts in the Region except for those required 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:

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Continued)

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:

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.

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.

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

Institute – 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:

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.

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FUND ACCOUNTING (Concluded)

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 Regional Office. The Supervisory Expense fund was closed in FY18.

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. The Fingerprinting Program was transferred to McHenry County to operate in FY17.

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.

I. 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:

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, due to either their form or legal restrictions. There are no funds presenting a nonspendable fund balance.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. GOVERNMENTAL FUND BALANCES (Concluded)

Restricted Fund Balance – The portion of a governmental fund’s net position that is subject to external enforceable legal restrictions. The following funds are restricted by Illinois Statute: Institute, General Educational Development, and Transportation.

Committed Fund Balance – The portion of a governmental fund’s net position with self-imposed constraints or limitations that have been placed at the highest level of decision making. The Regional Office of Education #44 has no committed fund balances.

Assigned Fund Balance – The portion of a governmental fund’s net position for which an intended use of resources has been denoted. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. There are no funds presenting an assigned fund balance.

Unassigned Fund Balance – Available expendable financial resources in a governmental fund that are not designated for a specific purpose. The following funds have an unassigned fund balance: General Fund, Regional Safe Schools Program, and Regional Safe Schools Cooperative.

J. NET POSITION

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

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

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

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

K. CASH AND CASH EQUIVALENTS

Cash and cash equivalents 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.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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.

M. 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.

N. BUDGET INFORMATION

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: ROE/ISC Operations, Title II – Teacher Quality – Leadership Grant, Regional Safe Schools Program, and Regional Safe Schools Cooperative.

O. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

GASB Statement No. 65 reclassified as deferred outflows of resources or deferred inflows of resources certain items that were previously reported as assets and liabilities. Decreases in net assets that relate to future periods are reported as deferred outflows of resources. Increases in net assets that relate to future periods are reported as deferred inflows of resources. When an asset is recorded in the governmental fund financial statements but the revenue is not available, the Regional Office reports a deferred inflow of resources until such time as the revenue becomes available. *Available* means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are not available if they are received more than 60 days after the end of the fiscal year. The Regional Office had deferred inflows of \$16,323 and no outflows of resources in the current year.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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. DEPOSITS

At June 30, 2018, the carrying amount of the McHenry County Regional Office of Education #44's government-wide and agency deposits were \$497,382 and \$4,948, respectively. The government-wide and agency bank balances were \$499,416 and \$19,946, respectively. Of the total bank balances as of June 30, 2018, \$250,000 was secured by federal depository insurance, \$5,774 was invested in Illinois Funds Money Market Fund and \$263,588 was collateralized by securities pledged by the McHenry County Regional Office of Education #44's financial institution in the name of the Regional Office.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits with financial institutions is the risk that, in the event of bank failure, the Regional Offices'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 Regional Office of Education #44's investment policy requires that funds should be invested solely in investments authorized by 30 ILCS 235/2 and 6 and 105 ILCS 5/8-7. As of June 30, 2018, the Regional Office of Education #44 had investments with carrying and fair values of \$5,774 invested in the Illinois Funds Money Market Fund.

CREDIT RISK

At June 30, 2018, the Illinois Funds Money Market Fund had a Standard and Poor's 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.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS (Concluded)

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 the meet the cash requirements for ongoing operations. As of June 30, 2018, 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.

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, 2018:

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – CAPITAL ASSETS (Concluded)

	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities:				
<u>Education Fund</u>				
Equipment	\$ 10,176	\$ -	\$ -	\$ 10,176
Governmental Activities Total Assets	10,176	-	-	10,176
Less Accumulated Depreciation				
Equipment	(10,176)	-	-	(10,176)
Total Accumulated Depreciation	(10,176)	-	-	(10,176)
Governmental Activities				
Investment in Capital Assets, Net	\$ -	\$ -	\$ -	\$ -

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2018 of \$ -0- 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 – 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.

NOTE 6 – ON BEHALF PAYMENTS

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

Regional Superintendent Salary	\$ 115,176
Assistant Regional Superintendent Salary	103,656
Regional Superintendent Benefits (includes State-paid insurance)	27,248
Assistant Regional Superintendent Benefits (includes State-paid insurance)	32,908
Total	\$ 278,988

McHENRY COUNTY
 REGIONAL OFFICE OF EDUCATION #44
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 6 – ON BEHALF PAYMENTS (Concluded)

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

McHenry County provides the Regional Office with staff and pay certain expenditures on behalf of the Regional Office. The expenditures paid on the Regional Office of Education #44’s behalf for the year ended June 30, 2018, were as follows:

Salaries and benefits	\$ 332,943
Value of building space	<u>40,552</u>
Total	<u>\$ 373,495</u>

These amounts have been recorded in the accompanying financial statements as local revenues and expenditures.

NOTE 7 – 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:

Education Fund	
Illinois State Board of Education	\$ 85,570
Fiduciary Fund	
Illinois State Board of Education	<u>89,584</u>
Total Due from Other Governments	<u><u>\$ 175,154</u></u>

Due to Other Governments:

Education Fund	
Local Governments	\$ 85,370
Fiduciary Fund	
Local Governments	<u>94,532</u>
	<u><u>\$ 179,902</u></u>

NOTE 8 – INTERFUND ACTIVITY

DUE TO/FROM OTHER FUNDS

Interfund due to/from other fund balances at June 30, 2018, consist of the following individual due to/from other funds in the Governmental Fund Balance Sheet. 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, 2018

NOTE 8 – INTERFUND ACTIVITY (Concluded)

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 191	\$ -
Education Fund	-	191
Totals	\$ 191	\$ 191

TRANSFERS

Interfund transfers in/out to other fund balances at June 30, 2018, consist of the following individual transfers in/out to other funds in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position. The transfer balances between governmental funds were eliminated in the government-wide Statement of Activities.

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,472	\$ -
Proprietary Fund	-	2,469
Non Major Special Revenue Fund	-	3
Totals	\$ 2,472	\$ 2,472

NOTE 9 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Generally accepted accounting principles require disclosure of certain information concerning individual funds which are presented only in combination on the financial statements. Funds having deficit fund balances/net position and funds which overexpend appropriations during the year are required to be disclosed. The following fund had a fund deficit as of June 30, 2018:

Education Fund	
Regional Safe Schools Program	\$ 12,964
Regional Safe Schools Cooperative	3,350
	\$ 16,314

OTHER SUPPLEMENTARY INFORMATION

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
JUNE 30, 2018

	General Fund	Regional Safe Schools Program - General State Aid	Totals
ASSETS			
Cash and cash equivalents	\$ 6,810	\$ -	\$ 6,810
Due from other funds	191	-	191
TOTAL ASSETS	\$ 7,001	-	\$ 7,001
FUND BALANCE			
Unassigned	\$ 7,001	\$ -	\$ 7,001
TOTAL FUND BALANCE	\$ 7,001	\$ -	\$ 7,001

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Regional Safe Schools Program - General State Aid	Totals
REVENUES			
State sources	\$ -	\$ 127,885	\$ 127,885
Local sources	1,400	-	1,400
On-behalf payments - State	278,988	-	278,988
On-behalf payments - Local	373,495	-	373,495
Investment earnings	30	-	30
Total Revenues	<u>653,913</u>	<u>127,885</u>	<u>781,798</u>
EXPENDITURES			
Purchased services	100	-	100
Other objects	368	-	368
On-behalf expenditures - State	278,988	-	278,988
On-behalf expenditures - Local	373,495	-	373,495
Intergovernmental:			
Payments to other governments	-	127,885	127,885
Total Expenditures	<u>652,951</u>	<u>127,885</u>	<u>780,836</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>962</u>	<u>-</u>	<u>962</u>
OTHER FINANCING USES			
Transfers in	2,472	-	2,472
Total Other Financing Uses	<u>2,472</u>	<u>-</u>	<u>2,472</u>
NET CHANGE IN FUND BALANCE	<u>3,434</u>	<u>-</u>	<u>3,434</u>
FUND BALANCE - BEGINNING	<u>3,567</u>	<u>-</u>	<u>3,567</u>
FUND BALANCE - ENDING	<u>\$ 7,001</u>	<u>\$ -</u>	<u>\$ 7,001</u>

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
JUNE 30, 2018

	ROE/ISC Operations	Title II - Teacher Quality - Leadership Grant	Regional Safe Schools Program	Regional Safe Schools Cooperative	Totals
ASSETS					
Due from other governments					
Federal	\$ -	\$ 200	\$ -	\$ -	\$ 200
State	52,747	-	25,923	6,700	85,370
TOTAL ASSETS	<u>\$ 52,747</u>	<u>\$ 200</u>	<u>\$ 25,923</u>	<u>\$ 6,700</u>	<u>\$ 85,570</u>
LIABILITIES					
Due to other funds	\$ -	\$ 191	\$ -	\$ -	\$ 191
Due to other governments					
Local	52,747	-	25,923	6,700	85,370
TOTAL LIABILITIES	<u>52,747</u>	<u>191</u>	<u>25,923</u>	<u>6,700</u>	<u>85,561</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	9	12,964	3,350	16,323
FUND BALANCE (DEFICIT)					
Unassigned	-	-	(12,964)	(3,350)	(16,314)
TOTAL FUND BALANCE (DEFICIT)	<u>-</u>	<u>-</u>	<u>(12,964)</u>	<u>(3,350)</u>	<u>(16,314)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 52,747</u>	<u>\$ 200</u>	<u>\$ 25,923</u>	<u>\$ 6,700</u>	<u>\$ 85,570</u>

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2018

	ROE/ISC Operations	Title II - Teacher Quality - Leadership Grant	Regional Safe Schools Program	Regional Safe Schools Cooperative	Totals
REVENUES					
State sources	\$ 122,098	\$ -	\$ 221,064	\$ 78,386	\$ 421,548
Federal sources	-	4,400	-	-	4,400
Total Revenues	<u>122,098</u>	<u>4,400</u>	<u>221,064</u>	<u>78,386</u>	<u>425,948</u>
EXPENDITURES					
Instructional Services:					
Purchased services	-	4,400	-	-	4,400
Intergovernmental:					
Payments to other governments	122,098	-	155,513	36,850	314,461
Total Expenditures	<u>122,098</u>	<u>4,400</u>	<u>155,513</u>	<u>36,850</u>	<u>318,861</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>65,551</u>	<u>41,536</u>	<u>107,087</u>
NET CHANGE IN FUND BALANCE	-	-	65,551	41,536	107,087
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>(78,515)</u>	<u>(44,886)</u>	<u>(123,401)</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,964)</u>	<u>\$ (3,350)</u>	<u>\$ (16,314)</u>

McHENRY COUNTY
 REGIONAL OFFICE OF EDUCATION #44
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNT
 ROE/ISC OPERATIONS
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 168,088	\$ 174,845	\$ 122,098
Total Revenues	<u>168,088</u>	<u>174,845</u>	<u>122,098</u>
EXPENDITURES			
Intergovernmental:			
Payments to other governments	168,088	174,845	122,098
Total Expenditures	<u>168,088</u>	<u>174,845</u>	<u>122,098</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<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
TITLE II - TEACHER QUALITY - LEADERSHIP GRANT
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 4,409	\$ 4,409	\$ 4,400
Total Revenues	<u>4,409</u>	<u>4,409</u>	<u>4,400</u>
EXPENDITURES			
Salaries and benefits	9	9	-
Purchased services	<u>4,400</u>	<u>4,400</u>	<u>4,400</u>
Total Expenditures	<u>4,409</u>	<u>4,409</u>	<u>4,400</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<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
 REGIONAL SAFE SCHOOLS PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 155,513	\$ 155,513	\$ 221,064
Total Revenues	<u>155,513</u>	<u>155,513</u>	<u>221,064</u>
EXPENDITURES			
Salaries and benefits	155,513	155,513	-
Intergovernmental:			
Payments to other governments	-	-	155,513
Total Expenditures	<u>155,513</u>	<u>155,513</u>	<u>155,513</u>
NET CHANGE IN FUND BALANCE	-	-	65,551
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>(78,515)</u>
FUND BALANCE - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (12,964)</u></u>

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
REGIONAL SAFE SCHOOLS COOPERATIVE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 36,850	\$ 36,850	\$ 78,386
Total Revenues	<u>36,850</u>	<u>36,850</u>	<u>78,386</u>
EXPENDITURES			
Purchased services	33,400	33,400	-
Supplies and materials	3,450	3,450	-
Intergovernmental:			
Payments to other governments	-	-	36,850
Total Expenditures	<u>36,850</u>	<u>36,850</u>	<u>36,850</u>
NET CHANGE IN FUND BALANCE	-	-	41,536
FUND BALANCE - BEGINNING	-	-	<u>(44,886)</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,350)</u>

McHENRY COUNTY
 REGIONAL OFFICE OF EDUCATION #44
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018

	General Educational Development	Transportation	Supervisory Expense	Totals
ASSETS				
Cash and cash equivalents	\$ 35,773	\$ 19,882	\$ -	\$ 55,655
TOTAL ASSETS	<u>\$ 35,773</u>	<u>\$ 19,882</u>	<u>\$ -</u>	<u>\$ 55,655</u>
FUND BALANCE				
Restricted	\$ 35,773	\$ 19,882	\$ -	\$ 55,655
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 35,773</u>	<u>\$ 19,882</u>	<u>\$ -</u>	<u>\$ 55,655</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, 2018

	General Educational Development	Transportation	Supervisory Expense	Totals
REVENUES				
State sources	\$ -	\$ 1,915	\$ -	\$ 1,915
Local sources	2,764	8,770	-	11,534
Investment earnings	244	149	-	393
Total Revenues	<u>3,008</u>	<u>10,834</u>	<u>-</u>	<u>13,842</u>
EXPENDITURES				
Purchased services	-	6,042	-	6,042
Supplies and materials	1	-	-	1
Total Expenditures	<u>1</u>	<u>6,042</u>	<u>-</u>	<u>6,043</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,007</u>	<u>4,792</u>	<u>-</u>	<u>7,799</u>
OTHER FINANCING SOURCES (Uses)				
Transfers out	-	-	(3)	(3)
Total Other Financing Sources Uses	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>(3)</u>
NET CHANGE IN FUND BALANCE	<u>3,007</u>	<u>4,792</u>	<u>(3)</u>	<u>7,796</u>
FUND BALANCE - BEGINNING	<u>32,766</u>	<u>15,090</u>	<u>3</u>	<u>47,859</u>
FUND BALANCE - ENDING	<u>\$ 35,773</u>	<u>\$ 19,882</u>	<u>\$ -</u>	<u>\$ 55,655</u>

McHENRY COUNTY
 REGIONAL OFFICE OF EDUCATION #44
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 ALL AGENCY FUNDS
 JUNE 30, 2018

	Regional Board of School Trustees	Distributive Fund	Totals
Assets			
Cash and cash equivalents	\$ 1,311	\$ 3,637	\$ 4,948
Due from other governments	-	89,584	89,584
Total Assets	<u>\$ 1,311</u>	<u>\$ 93,221</u>	<u>\$ 94,532</u>
Liabilities			
Due to other governments	\$ 1,311	\$ 93,221	\$ 94,532
Total Liabilities	<u>\$ 1,311</u>	<u>\$ 93,221</u>	<u>\$ 94,532</u>

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018
<u><i>REGIONAL BOARD OF</i></u>				
<u><i>SCHOOL TRUSTEES</i></u>				
Assets				
Cash and cash equivalents	\$ 1,301	\$ 1,510	\$ 1,500	\$ 1,311
Total Assets	<u>\$ 1,301</u>	<u>\$ 1,510</u>	<u>\$ 1,500</u>	<u>\$ 1,311</u>
Liabilities				
Due to other governments	\$ 1,301	\$ 1,510	\$ 1,500	\$ 1,311
Total Liabilities	<u>\$ 1,301</u>	<u>\$ 1,510</u>	<u>\$ 1,500</u>	<u>\$ 1,311</u>
<u><i>DISTRIBUTIVE FUND</i></u>				
Assets				
Cash and cash equivalents	\$ 2,942	\$ 2,131,180	\$ 2,130,485	\$ 3,637
Due from other governments	784,090	89,584	784,090	89,584
Total Assets	<u>\$ 787,032</u>	<u>\$ 2,220,764</u>	<u>\$ 2,914,575</u>	<u>\$ 93,221</u>
Liabilities				
Due to other governments	\$ 787,032	\$ 2,220,764	\$ 2,914,575	\$ 93,221
Total Liabilities	<u>\$ 787,032</u>	<u>\$ 2,220,764</u>	<u>\$ 2,914,575</u>	<u>\$ 93,221</u>
<u><i>TOTALS</i></u>				
Assets				
Cash and cash equivalents	\$ 4,243	\$ 2,132,690	\$ 2,131,985	\$ 4,948
Due from other governments	784,090	89,584	784,090	89,584
Total Assets	<u>\$ 788,333</u>	<u>\$ 2,222,274</u>	<u>\$ 2,916,075</u>	<u>\$ 94,532</u>
Liabilities				
Due to other governments	\$ 788,333	\$ 2,222,274	\$ 2,916,075	\$ 94,532
Total Liabilities	<u>\$ 788,333</u>	<u>\$ 2,222,274</u>	<u>\$ 2,916,075</u>	<u>\$ 94,532</u>

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
DISTRIBUTIVE FUND
SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHERS
FOR THE YEAR ENDED JUNE 30, 2018

	Regional Office of Education # 44	McHenry County Co-op	Total
General State Aid	\$ 127,885	\$ -	\$ 127,885
Regional Safe Schools	247,357	-	247,357
Title II - Teacher Quality-Leadership Grant	8,609	-	8,609
School Bus Driver Training	1,915	-	1,915
ROE/ISC Operations	168,088	-	168,088
CTE - Perkins - Secondary	-	354,558	354,558
Career & Technical Education Improvement	-	941,772	941,772
Mathematics and Science Partnerships	205,265	-	205,265
Other State Programs	75,036	-	75,036
	<u>\$ 834,155</u>	<u>\$ 1,296,330</u>	<u>\$ 2,130,485</u>