



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

**FINANCIAL AUDIT
For the Year Ended June 30, 2021**

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

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

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

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

OFFICIALS

Regional Superintendent

(January 24, 2022 to current)

(November 17, 2021 to January 23, 2022)

(During the audit period to November 16, 2021)

Ms. Diana Hartmann

Mr. Michael Freeman (Acting)

Ms. Leslie Schermerhorn

Assistant Regional Superintendent

(September 1, 2022 to current)

(July 30, 2022 to August 31, 2022)

(January 24, 2022 to July 29, 2022)

(November 17, 2021 to January 23, 2022)

(During the audit period to November 16, 2021)

Chris Zielinski

Vacant

Mr. Michael Freeman

Vacant

Mr. Michael Freeman

Office is located at:

McHenry County Government Center

2200 N. Seminary Avenue (Route 47)

Woodstock, Illinois 60098

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

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

AUDITOR’S REPORTS

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

SUMMARY OF AUDIT FINDINGS

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

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

SUMMARY OF FINDINGS AND RESPONSES

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<i>Findings (Government Auditing Standards)</i>			
2021-001	10	Controls Over Financial Statement Preparation	Material Weakness
2021-002	13	Noncompliance with Grant Requirements	Material Weakness/ Noncompliance
2021-003	14	Inadequate Internal Control Procedures	Material Weakness
2021-004	16	Delay of Audit	Noncompliance

Prior Audit Findings not Repeated (Government Auditing Standards)

None

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference on August 11, 2022. Attending from the Regional Office of Education No. 44 were Diana Hartmann, Regional Superintendent and Kevin Bueso, McHenry County Chief Financial Officer; and from Adelfia LLC were Jennifer Roan and Maria Divina Valera, Partners. Responses to the recommendations were provided by Diana Hartmann, Regional Superintendent, on October 20, 2022.

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

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

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



INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McHenry County Regional Office of Education No. 44, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the McHenry County Regional Office of Education No. 44's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McHenry County Regional Office of Education No. 44, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2021, the McHenry County Regional Office of Education No. 44 implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining schedule of accounts, the budgetary comparison schedules, the combining fund financial statements and the Schedule of Disbursements to School District Treasurers and Other Entities are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

America. In our opinion, the combining schedule of accounts, the budgetary comparison schedules, the combining fund financial statements and the Schedule of Disbursements to School District Treasurers and Other Entities are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2022 on our consideration of the McHenry County Regional Office of Education No. 44's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of McHenry County Regional Office of Education No. 44's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McHenry County Regional Office of Education No. 44's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
November 7, 2022



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McHenry County Regional Office of Education No. 44, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise McHenry County Regional Office of Education No. 44’s basic financial statements, and have issued our report thereon dated November 7, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered McHenry County Regional Office of Education No. 44’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McHenry County Regional Office of Education No. 44’s internal control. Accordingly, we do not express an opinion on the effectiveness of McHenry County Regional Office of Education No. 44’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2021-001, 2021-002, and 2021-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McHenry County Regional Office of Education No. 44's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 2021-002 and 2021-004.

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

McHenry County Regional Office of Education No. 44's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. McHenry County Regional Office of Education No. 44's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the McHenry County Regional Office of Education No. 44's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the McHenry County Regional Office of Education No. 44's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
November 7, 2022

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION I – SUMMARY OF AUDITOR’S RESULTS
For the Year Ended June 30, 2021**

Financial Statements in accordance with GAAP

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified?

yes none reported

Noncompliance material to financial statements noted?

yes no

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2021

FINDING 2021-001 – Controls over Financial Statement Preparation (Repeat of Finding 20-001, 19-001, 18-001, 17-001, 16-001, 15-001 and 14-001)

CRITERIA/SPECIFIC REQUIREMENT:

105 ILCS 5/2-3.17a allows a Regional Office of Education or Educational Service Center to utilize a cash basis, modified cash basis, or generally accepted accounting principles (GAAP) basis of accounting to prepare the financial statements for audit. The Regional Office of Education No. 44 has chosen to utilize the GAAP basis of accounting for financial statement reporting. The Regional Office of Education No. 44 is required to maintain a system of controls over the preparation of financial statements. 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 – and Management's Discussion and Analysis - for State and Local Governments* (Statement), states the focus of governmental and proprietary fund financial statements is on major funds. Fund statements should present the financial information of each major fund in a separate column. Nonmajor funds should be aggregated and displayed in a single column.

The reporting government's main operating fund (the general fund or its equivalent) should always be reported as a major fund. Other individual governmental and enterprise funds should be reported in separate columns as major funds based on these criteria:

- a. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental or total enterprise funds), and
- b. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments that report fiduciary activity. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2021

FINDING 2021-001 – Controls over Financial Statement Preparation (Repeat of Finding 20-001, 19-001, 18-001, 17-001, 16-001, 15-001 and 14-001)

CONDITION:

The Regional Office of Education No. 44 does not have sufficient internal controls over the financial reporting process.

For the year ended June 30, 2021, the General Education Development Fund, Transportation Fund, and Fingerprinting Fund met the criteria as major funds; however, the General Education Development Fund and Transportation Fund were reported in aggregate as nonmajor governmental funds under the Governmental Activities and the Fingerprinting Fund was reported as a nonmajor enterprise fund under the Business-Type Activities. The Regional Office of Education No. 44 subsequently revised its financial statements and updated the notes to the financial statements.

The notes to the financial statements in the summary of significant accounting policies did not include implementation of GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No. 90, *Majority Equity Interests*, and applicable sections of GASB No. 93, *Replacement of Interbank Offered Rates*. The Regional Office of Education No. 44 subsequently revised its financial statements and updated the notes to the financial statements.

The draft financial statements originally submitted did not implement GASB No. 84 and were missing the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. There was also no disclosure related to GASB Statement No. 84 implementation. The Regional Office of Education No. 44 subsequently revised its financial statements implementing the requirements of GASB Statement No. 84.

The draft financial statements originally submitted did not include Due from Other Governments of \$34,490 and Due to Other Governments of \$34,490 in the Education Fund in the Balance Sheet – Governmental Funds and in the Governmental Activities in the Statement of Net Position; and Due from Other Governments of \$54,973 and Due to Other Governments of \$54,973 in the Custodial Funds in the Statement of Fiduciary Net Position. The Regional Office of Education No. 44 subsequently revised its financial statements to include these amounts.

The draft financial statements originally submitted did not accurately report the original budget in the Supplemental Information, Education Fund Accounts, Budgetary Comparison Schedule for the Regional Safe Schools Program. The Regional Office of Education No. 44 subsequently revised its financial statements to accurately report the original budget.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2021**

FINDING 2021-001 – Controls over Financial Statement Preparation (Repeat of Finding 20-001, 19-001, 18-001, 17-001, 16-001, 15-001 and 14-001)

EFFECT:

Improper application of generally accepted accounting principles resulted in inaccurate financial statement presentation and incomplete note disclosures.

CAUSE:

The Regional Office of Education No. 44's management indicated the weaknesses noted in the internal controls were due to not having a bookkeeper on a full-time basis.

RECOMMENDATION:

The Regional Office of Education No. 44 should implement comprehensive preparation procedures to ensure the financial statements are complete and accurate. These procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education No. 44's activities and operations. Additionally, ROE management should consider Public Act 102-0025 to determine if changing to the cash or modified cash basis would be allowable or beneficial to the ROE and users of the ROE financial statements.

MANAGEMENT'S RESPONSE:

The Regional Office of Education No. 44 agrees with the finding and has an agreement with McHenry County's Finance Division to take over the financial reporting and accounting responsibilities of the ROE effective December 1, 2021. ROE-related journal entries will now follow the County's Journal Entries Policy. Additionally, statement preparation and audit work will fall under the Finance Division's responsibilities as well. The Regional Office of Education will contract a firm to complete financial reporting and accounting responsibilities for Fiscal Year 2023.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2021**

FINDING 2021-002 – Noncompliance with Grant Requirements (Partial Repeat Finding 20-002, 19-002, 18-002, 17-002, and 16-002)

CRITERIA/SPECIFIC REQUIREMENT:

Item 5 of Section A of the Illinois State Board of Education’s State and Federal Grant Administration Policy, Fiscal Requirements, and Procedures requires grantees with an approved state and/or federal grant program to submit quarterly expenditure reports, at minimum, on or before 20 calendar days after the end of the reporting quarter.

CONDITION:

The Regional Office of Education No. 44 submitted 8 of 21 expenditure reports untimely, ranging from 1 to 112 days late.

EFFECT:

Late submission of expenditure reports results in non-compliance with grant requirements and may affect future funding by grantors.

CAUSE:

The Regional Office of Education No. 44’s management indicated the weaknesses noted in the internal controls were due to not having a bookkeeper on a full-time basis.

RECOMMENDATION:

The Regional Office of Education No. 44 should develop internal controls to ensure expenditure reports are submitted by the grantors due date.

MANAGEMENT’S RESPONSE:

The Regional Office of Education No. 44 agrees with the finding and has an agreement with the McHenry County’s Finance Division to address all expenditure reporting effective December 1, 2021. The Regional Office of Education will contract a firm to complete financial reporting and accounting responsibilities for Fiscal Year 2023.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2021**

FINDING 2021-003 – Inadequate Internal Control Procedures (Repeat of Finding 20-003, 19-004, 18-004, 17-004 and 16-004)

CRITERIA/SPECIFIC REQUIREMENT:

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

CONDITION:

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

- Individual responsible for reconciling cash accounts can accept over-the-counter cash receipts;
- Missing supporting documentation for receipt transactions, for 5 of 40 receipts selected for testing;
- Receipts were not deposited timely in 6 of 40 sampled receipts, ranging from 3 days to 57 days late;
- No documented evidence of independent review of completed bank reconciliations; and
- Untimely performance of 57 of 60 monthly bank reconciliations for all bank accounts, ranging from 8 to 254 days late. In addition, for 3 months, a bank reconciliation was not performed.

EFFECT:

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

CAUSE:

The Regional Office of Education No. 44’s management indicated the weaknesses noted in the internal controls were due to not having a bookkeeper on a full-time basis.

RECOMMENDATION:

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2021**

FINDING 2021-003 – Inadequate Internal Control Procedures (Repeat of Finding 20-003, 19-004, 18-004, 17-004 and 16-004)

MANAGEMENT’S RESPONSE:

The McHenry County Regional Office of Education No. 44 agrees with the finding and will have the cash accounts brought into a centralized account structure within the County Treasurer. ROE staff will no longer reconcile bank statements; ROE staff will prepare deposits. Deposits will be managed by staff at the County Treasurer. The County Treasurer (separate staff member within the office) will then reconcile bank statements. Receipt documentation for transactions will follow the County’s procedure in the County’s financial ERP system, where we maintain all documentation including scanned documents. The Regional Office of Education will contract a firm to complete financial reporting and accounting responsibilities for Fiscal Year 2023.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2021**

FINDING 2021-004 – Delay of Audit (Repeat of Finding 20-004, 19-005, 18-005)

CRITERIA/SPECIFIC REQUIREMENT:

The Regional Office of Education No. 44 is subject to 105 ILCS 5/2-3.17a which requires the Auditor General’s office to cause an audit to be made, as of June 30th of each year, of the financial statements of all accounts, funds and other moneys in the care, custody or control of the regional superintendent of schools of each educational service region in the State and of each educational service center established in the School Code. The audit is to be conducted in accordance with Generally Accepted Government Auditing Standards. The ROE may utilize a cash basis, modified cash basis, or generally accepted accounting principles (GAAP) basis of accounting to prepare the financial statements for audit. The ROE has chosen the GAAP basis of accounting for financial reporting.

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

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

CONDITION:

The Regional Office of Education No. 44 did not provide completed financial statements in an auditable form by the August 31 deadline. The completed financial statements were provided on March 16, 2022.

EFFECT:

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

CAUSE:

The Regional Office of Education No. 44’s management indicated the delay was due to not having a bookkeeper on a full-time basis.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2021**

FINDING 2021-004 – Delay of Audit (Repeat of Finding 20-004, 19-005, 18-005)

RECOMMENDATION:

The Regional Office of Education No. 44 should implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and 74 Ill. Adm. Code 420.320 (c) (2). Additionally, ROE management should determine if changing to the cash or modified cash basis would be allowable and beneficial to the Regional Office of Education No. 44 and the users of its financial statements. These financial statements need to be presented to the Auditor General’s independent auditors for audit by the August 31 deadline.

MANAGEMENT’S RESPONSE:

The McHenry County Regional Office of Education No. 44 agrees with the finding and has asked the County’s Finance Division to assume financial and accounting responsibilities of the ROE. Completed financial statements will be provided by the deadline effective August 31, 2023, in accordance with 105 ILCS 5/2-3.17a and 74 III. Admin Code 420.320 (c). The Regional Office of Education will contract a firm to complete financial reporting and accounting responsibilities for Fiscal Year 2023.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
For the Year Ended June 30, 2021

CORRECTIVE ACTION PLAN

FINDING 2021-001 – Controls over Financial Statement Preparation (Repeat of Finding 20-001, 19-001, 18-001, 17-001, 16-001, 15-001 and 14-001)

CONDITION:

The Regional Office of Education No. 44 does not have sufficient internal controls over the financial reporting process.

For the year ended June 30, 2021, the General Education Development Fund, Transportation Fund, and Fingerprinting Fund met the criteria as major funds; however, the General Education Development Fund and Transportation Fund were reported in aggregate as nonmajor governmental funds under the Governmental Activities and the Fingerprinting Fund was reported as a nonmajor enterprise fund under the Business-Type Activities. The Regional Office of Education No. 44 subsequently revised its financial statements and updated the notes to the financial statements.

The notes to the financial statements in the summary of significant accounting policies did not include implementation of GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No. 90, *Majority Equity Interests*, and applicable sections of GASB No. 93, *Replacement of Interbank Offered Rates*. The Regional Office of Education No. 44 subsequently revised its financial statements and updated the notes to the financial statements.

The draft financial statements originally submitted did not implement GASB No. 84 and were missing the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. There was also no disclosure related to GASB Statement No. 84 implementation. The Regional Office of Education No. 44 subsequently revised its financial statements implementing the requirements of GASB Statement No. 84.

The draft financial statements originally submitted did not include Due from Other Governments of \$34,490 and Due to Other Governments of \$34,490 in the Education Fund in the Balance Sheet – Governmental Funds and in the Governmental Activities in the Statement of Net Position; and Due from Other Governments of \$54,973 and Due to Other Governments of \$54,973 in the Custodial Funds in the Statement of Fiduciary Net Position. The Regional Office of Education No. 44 subsequently revised its financial statements to include these amounts.

The draft financial statements originally submitted did not accurately report the original budget in the Supplemental Information, Education Fund Accounts, Budgetary Comparison Schedule for the Regional Safe Schools Program. The Regional Office of Education No. 44 subsequently revised its financial statements to accurately report the original budget.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
For the Year Ended June 30, 2021**

CORRECTIVE ACTION PLAN (Continued)

FINDING 2021-001 – Controls over Financial Statement Preparation (Repeat of Finding 20-001, 19-001, 18-001, 17-001, 16-001, 15-001 and 14-001)

PLAN:

The County Finance Division has now taken over the financial reporting and accounting responsibilities of the ROE effective December 1, 2021. ROE-related journal entries will now follow the County’s Journal Entries Policy. Additionally, statement preparation and audit work will fall under the Finance Division’s responsibilities as well. The Regional Office of Education will contract a firm to complete financial reporting and accounting responsibilities for Fiscal Year 2023.

ANTICIPATED DATE OF COMPLETION:

June 30, 2022

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

Ms. Diana Hartmann, Regional Superintendent of Schools
Kevin A. Bueso, Chief Financial Officer, McHenry County

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
For the Year Ended June 30, 2021**

CORRECTIVE ACTION PLAN (Continued)

FINDING 2021-002 – Noncompliance with Grant Requirements (Partial Repeat Finding 20-002, 19-002, 18-002, 17-002, and 16-002)

CONDITION:

The Regional Office of Education No. 44 submitted 8 of 21 expenditure reports untimely, ranging from 1 to 112 days late.

PLAN:

The McHenry County's Finance Division will be addressing all expenditure reporting. The Finance Division will be responsible for such reports effective December 1, 2021. The Regional Office of Education will contract a firm to complete financial reporting and accounting responsibilities for Fiscal Year 2023.

ANTICIPATED DATE OF COMPLETION:

June 30, 2022

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

Ms. Diana Hartmann, Regional Superintendent of Schools
Kevin A. Bueso, Chief Financial Officer, McHenry County

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
For the Year Ended June 30, 2021**

CORRECTIVE ACTION PLAN (Continued)

FINDING 2021-003 – Inadequate Internal Control Procedures (Repeat of Finding 20-003, 19-004, 18-004, 17-004 and 16-004)

CONDITION:

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

- Individual responsible for reconciling cash accounts can accept over-the-counter cash receipts;
- Missing supporting documentation for receipt transactions, for 5 of 40 receipts selected for testing;
- Receipts were not deposited timely in 6 of 40 sampled receipts, ranging from 3 days to 57 days late;
- No documented evidence of independent review of completed bank reconciliations; and
- Untimely performance of 57 of 60 monthly bank reconciliations for all bank accounts, ranging from 8 to 254 days late. In addition, for 3 months, a bank reconciliation was not performed.

PLAN:

All cash accounts will be brought into a centralized account structure within the County Treasurer. ROE staff will no longer reconcile bank statements; ROE staff will prepare deposits. Deposits will be managed by staff at the County Treasurer. The County Treasurer (separate staff member within the office) will then reconcile bank statements. Receipt documentation for transactions will follow the County’s procedure in the County’s financial ERP system, where we maintain all documentation including scanned documents. The Regional Office of Education will contract a firm to complete financial reporting and accounting responsibilities for Fiscal Year 2023.

ANTICIPATED DATE OF COMPLETION:

June 30, 2022

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

Ms. Diana Hartmann, Regional Superintendent of Schools
Kevin A. Bueso, Chief Financial Officer, McHenry County

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
For the Year Ended June 30, 2021**

CORRECTIVE ACTION PLAN (Concluded)

FINDING 2021-004 – Delay of Audit (Repeat of Finding 20-004, 19-005, 18-005)

CONDITION:

The Regional Office of Education No. 44 did not provide completed financial statements in an auditable form by the August 31 deadline. The completed financial statements were provided on March 16, 2022.

PLAN:

The McHenry County’s Finance Division has assumed financial and accounting responsibilities of the ROE. Completed financial statements will be provided by the deadline effective August 31, 2023. The Regional Office of Education will contract a firm to complete financial reporting and accounting responsibilities for Fiscal Year 2023.

ANTICIPATED DATE OF COMPLETION:

August 31, 2023

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

Ms. Diana Hartmann, Regional Superintendent of Schools
Kevin A. Bueso, Chief Financial Officer, McHenry County

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS NOT REPEATED
For the Year Ended June 30, 2021**

None

BASIC FINANCIAL STATEMENTS

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
STATEMENT OF NET POSITION
June 30, 2021**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 206,998	\$ 46,007	\$ 253,005
Due from Other Governments	69,594	-	69,594
Total Current Assets	276,592	46,007	322,599
LIABILITIES			
Current Liabilities			
Accounts Payable	75,833	5,037	80,870
Unearned Revenue	-	3,039	3,039
Due to Other Governments	35,660	-	35,660
Total Current Liabilities	111,493	8,076	119,569
NET POSITION			
Restricted for Educational Purposes	101,132	-	101,132
Unrestricted	63,967	37,931	101,898
Total Net Position	\$ 165,099	\$ 37,931	\$ 203,030

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	Program Revenues		Net (Expenses)/Revenue and Changes in Net Position Primary Government		
	Charges for Services	Operating Grants/ Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs					
Primary Government					
Governmental Activities					
Instructional Services					
Purchased Services	\$ 204,372	\$ 100,808	\$ (103,564)	\$ -	\$ (103,564)
Other Objects	14,958	-	(14,958)	-	(14,958)
Intergovernmental					
Payments to Other Governments	555,641	365,644	(189,997)	-	(189,997)
Administrative					
On-Behalf Payments - State	297,755	-	(297,755)	-	(297,755)
On-Behalf Payments - Local	261,830	-	(261,830)	-	(261,830)
Total Governmental Activities	1,334,556	466,452	(868,104)	-	(868,104)
Business-Type Activities					
Fingerprinting Fees	56,732	39,020	-	(17,712)	(17,712)
Total Business-Type Activities	56,732	39,020	-	(17,712)	(17,712)
Total Primary Government	\$ 1,391,288	\$ 466,452	(868,104)	(17,712)	(885,816)
General Revenues					
State Sources	204,955	-	204,955	-	204,955
Local Sources	4,630	-	4,630	-	4,630
On-Behalf Payments - State	297,755	-	297,755	-	297,755
On-Behalf Payments - Local	261,830	-	261,830	-	261,830
Investment Earnings	467	-	467	-	467
Total General Revenues	769,637	-	769,637	-	769,637
Change in Net Position			(98,467)	(17,712)	(116,179)
Net Position - Beginning,			263,566	55,643	319,209
Net Position - Ending			\$ 165,099	\$ 37,931	\$ 203,030

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021**

	General Fund	Education Fund	Institute Fund	General Education Development Fund	Transportation Fund	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 44,321	\$ -	\$ 79,766	\$ 43,367	\$ 39,544	\$ 206,998
Due from Other Governments	19,646	35,660	14,288	-	-	69,594
Total Assets	<u>\$ 63,967</u>	<u>\$ 35,660</u>	<u>\$ 94,054</u>	<u>\$ 43,367</u>	<u>\$ 39,544</u>	<u>\$ 276,592</u>
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ 75,833	\$ -	\$ -	\$ 75,833
Due to Other Governments	-	35,660	-	-	-	35,660
Total Liabilities	<u>-</u>	<u>35,660</u>	<u>75,833</u>	<u>-</u>	<u>-</u>	<u>111,493</u>
FUND BALANCES						
Restricted	-	-	18,221	43,367	39,544	101,132
Unassigned	63,967	-	-	-	-	63,967
Total Fund Balances (Deficit)	<u>63,967</u>	<u>-</u>	<u>18,221</u>	<u>43,367</u>	<u>39,544</u>	<u>165,099</u>
Total Liabilities and Fund Balances	<u>\$ 63,967</u>	<u>\$ 35,660</u>	<u>\$ 94,054</u>	<u>\$ 43,367</u>	<u>\$ 39,544</u>	<u>\$ 276,592</u>

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

**McHENRY COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 44
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 GOVERNMENTAL FUNDS
 June 30, 2021**

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$ 165,099
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Current year unavailable revenue
 State sources

-

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 165,099</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	General Fund	Education Fund	Institute Fund	General Education Development Fund	Transportation Fund	Total Governmental Funds
Revenues						
Federal Sources	\$ -	\$ 773	\$ -	\$ -	\$ -	\$ 773
State Sources	204,955	365,644	-	-	1,990	572,589
Local Sources	4,630	-	90,670	2,210	5,165	102,675
On-Behalf Payments - State	297,755	-	-	-	-	297,755
On-Behalf Payments - Local	261,830	-	-	-	-	261,830
Investment Income	346	-	121	-	-	467
Total Revenues	769,516	366,417	90,791	2,210	7,155	1,236,089
Expenditures						
Instructional Services						
Purchased Services	11,923	773	185,557	-	6,119	204,372
Other Objects	14,958	-	-	-	-	14,958
Administrative						
On-Behalf Payments - State	297,755	-	-	-	-	297,755
On-Behalf Payments - Local	261,830	-	-	-	-	261,830
Intergovernmental						
Payments to Other Governments	189,997	365,644	-	-	-	555,641
Total Expenditures	776,463	366,417	185,557	-	6,119	1,334,556
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,947)	-	(94,766)	2,210	1,036	(98,467)
Net Change in Fund Balances	(6,947)	-	(94,766)	2,210	1,036	(98,467)
Fund Balances - Beginning	70,914	-	112,987	41,157	38,508	263,566
Fund Balances - Ending	\$ 63,967	\$ -	\$ 18,221	\$ 43,367	\$ 39,544	\$ 165,099

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

**McHENRY COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 44
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2021**

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS	\$ (98,467)
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Prior year unavailable revenue
 State sources

-

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ (98,467)
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The accompanying notes to the financial statements are an integral part of this statement.

REGIONAL OFFICE OF EDUCATION NO. 44
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2021

	Business-Type Activities Major Enterprise Fund
	Fingerprinting Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 46,007
Total Current Assets	46,007
Total Assets	46,007
LIABILITIES	
Current liabilities	
Accounts payable	5,037
Unearned revenue	3,039
Total Current Liabilities	8,076
Total Liabilities	8,076
NET POSITION	
Unrestricted	37,931
Total Net Position	\$ 37,931

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2021**

	Business-Type Activities Major <u>Enterprise Fund</u> Fingerprinting Fund
Operating Revenues	
Charges for Services	\$ 39,020
Total Operating Revenues	<u>39,020</u>
Operating Expenses	
Salaries and benefits	19,252
Purchased Services	37,480
Total Operating Expenses	<u>56,732</u>
Operating Loss	<u>(17,712)</u>
CHANGE IN NET POSITION	(17,712)
Net Position - Beginning	<u>55,643</u>
Net Position - Ending	<u><u>\$ 37,931</u></u>

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2021

	Business-Type Activities Major Enterprise Fund <u>Fingerprinting Fund</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 48,356
Payments to suppliers and providers of goods and services	(35,726)
Payments to employees	<u>(19,252)</u>
Net cash provided by (used for) operating activities	<u>(6,622)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(6,622)
Cash and Cash Equivalents - Beginning	<u>52,629</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 46,007</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Operating Loss	\$ (17,712)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) Decrease in:	
Accounts receivable	9,336
Increase (Decrease) in:	
Accounts payable	1,811
Unearned revenue	<u>(57)</u>
Net Cash Provided by (Used For) Operating Activities	<u><u>\$ (6,622)</u></u>

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2021**

	Custodial Funds
ASSETS	
Cash and Cash Equivalents	\$ 31,551
Due from Other Governments	71,562
Total Assets	\$ 103,113
LIABILITIES	
Due to Other Governments	\$ 101,802
NET POSITION	
Restricted for Other Purpose	\$ 1,311

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2021**

	Custodial Funds
ADDITIONS	
Collections of state and federal funds from State Board of Education for school districts and other entities	\$ 945,564
DEDUCTIONS	
Payments to school districts and other entities	945,564
CHANGE IN NET POSITION	-
NET POSITION - BEGINNING , RESTATED	1,311
NET POSITION - ENDING	\$ 1,311

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In 2021, the Regional Office of Education No. 44 implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, GASB Statement No. 90, *Major Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, and GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The implementation of GASB Statement No. 84 established criteria for identifying fiduciary activities and provided guidance on reporting fiduciary activities. This Statement changed the Regional Office’s reporting of fiduciary activities and presentation of fiduciary fund financial statements. The implementation of GASB Statement No. 90, *Major Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, and GASB Statement No. 93, *Replacement of Interbank Offered Rates* had no significant impact on the Regional Office of Education No. 44’s financial statements.

REPORTING ENTITY

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

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

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the McHenry County Regional Office of Education No. 44’s districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 No. 44, or see that no payments are made unless the treasurer has filed or renewed appropriate bond and that the district has certified publication of the annual financial report. The Regional Superintendent is required to provide opinions and advice related to controversies under school law.

For the period ended June 30, 2021, the McHenry County Regional Office of Education No. 44 applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in McHenry County Regional Office of Education No. 44.

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

SCOPE OF THE REPORTING ENTITY

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

The McHenry County Regional Office of Education No. 44 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the McHenry County Regional Office of Education No. 44, including districts or joint agreements which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the McHenry County Regional Office of Education No. 44 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The districts and joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the McHenry County Regional Office of Education No. 44 does not control the assets, operations, or management of the districts or joint agreements. In addition, the McHenry County Regional Office of Education No. 44 is not aware of any entity, which would exercise such oversight as to result in the McHenry County Regional Office of Education No. 44 being considered a component unit of the entity.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION

Government-Wide Statements

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

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

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

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Government-Wide Statements – Continued

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

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

Fund Financial Statements

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

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

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

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

Governmental Funds

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

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

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

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

Special Revenue Funds. Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects. The ROE reports four major special revenue funds and no nonmajor special revenue funds. Major special revenue funds include the following:

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

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Governmental Funds – Continued

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

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

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

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Fiduciary Funds – Continued

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Cash and Investments

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

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

Receivables

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

Interfund Receivables, Payables and Activity

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Capital Assets – Continued

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

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

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

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

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. As of June 30, 2021, the ROE did not have any deferred outflows of resources.

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Unearned Revenue

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

Net Position

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

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

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

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

Revenue

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Concluded

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

Revenue – Continued

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

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

Management Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

The ROE did not adopt a formal budget nor is it legally required to do so for the year ended June 30, 2021; subsequently, the accompanying financial statements are not presented on a budgetary basis whereby budget and actual revenues and expenditures are compared; however, the Illinois State Board of Education, a granting agent, requires budgets for certain program money. For the year ended June 30, 2021, a budgetary comparison schedule is presented for the following grant funds: ROE/ISC Operations, Title II - Teacher Quality Leadership , Regional Safe Schools Program, and Regional Safe Schools Cooperative.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

DEPOSITS AND INVESTMENTS

The *Illinois Compiled Statutes* authorize the McHenry County Regional Office of Education No. 44 to make deposits and invest in U.S. Government, State of Illinois and municipal securities, certificates of deposit or time savings deposits insured by the FDIC, mortgage notes, bonds, or debentures issued by the Federal Housing Administration, bonds and other obligations of the Federal National Mortgage Association, commercial paper rated within the three highest classifications by at least two standard rating services, credit union shares, and the Illinois Public Treasurer's Investment Pool.

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

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

Deposits and Investments. At June 30, 2021, the carrying amount of the McHenry County Regional Office of Education No. 44's government-wide and agency deposits were \$253,005 and \$31,551, respectively. Of the total bank balances of \$284,725, as of June 30, 2021, \$69,613 was secured by federal depository insurance, and \$215,112 was invested in Illinois Funds Money Market Fund.

The Regional Office of Education No. 44's investment policy requires that funds should be invested solely in investments authorized by 30 ILCS 235/2 and 6 and 105 ILCS 5/8-7. As of June 30, 2021, the Regional Office of Education No. 44 had investments with carrying and fair values of \$215,112 invested in the Illinois Funds Money Market Fund.

Credit Risk. At June 30, 2021, the Illinois Funds Money Market Fund had a Fitch's AAmmf rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Concluded

DEPOSITS AND INVESTMENTS - Continued

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

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

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS

CAPITAL ASSETS

Governmental Activities

Governmental capital asset activity for the year was as follows:

	Balances		Balances	
	June 30, 2020	Additions	Deletions	June 30, 2021
Governmental Activities:				
<u>Education Fund</u>				
Depreciable Capital Assets				
Equipment	\$ 10,176	\$ -	\$ -	\$ 10,176
Less Accumulated Depreciation				
Equipment	10,176	-	-	10,176
Governmental Activities				
Investment in Capital Assets, Net	\$ -	\$ -	\$ -	-

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Transfers

Transfers are generally made to provide supplemental funding or move resources from the fund required to collect the resources to the fund required to expend the resources. There were no interfund transfers for the year.

DUE FROM/TO OTHER GOVERNMENTS

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

Due from Other Governments:	
General Fund	
Local Governments	\$ 19,646
Education Fund	
Illinois State Board of Education	35,660
Institute Fund	
Local Governments	14,288
Fiduciary Fund	
Local Governments	71,562
Total	\$ 141,156
Due to Other Governments:	
Education Fund	
Local Governments	\$ 35,660
Fiduciary Fund	
Local Governments	101,802
Total	\$ 137,462

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

ON-BEHALF PAYMENTS

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

Regional Superintendent - Salary	\$ 122,592
Assistant Regional Superintendent - Salary	110,328
Regional Superintendent - Benefits (includes state paid insurance)	33,363
Assistant Regional Superintendent - Benefits (includes state paid insurance)	<u>31,472</u>
Total On-Behalf Payments - State	<u><u>\$ 297,755</u></u>

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

McHenry County provides the ROE with staff and pay certain expenditures on behalf of the Regional Office. The expenditures paid on the ROE's behalf for the year ended June 30, 2021, were as follows:

Salaries, benefits, and expenses	\$ 218,151
Value of building space	<u>43,679</u>
Total On-Behalf Payments – Local	<u><u>\$ 261,830</u></u>

NET POSITION/FUND BALANCE

Fund Balance Classifications

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

Nonspendable Fund Balance - the portion of a Governmental Fund's net position that are not available to be spent, either short term or long term, in either form or through legal restrictions. There are no accounts presenting a nonspendable fund balance.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

NET POSITION/FUND BALANCE – Continued

Fund Balance Classifications – Continued

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

Committed Fund Balance - the portion of a Governmental Fund's net position with self-imposed constraints or limitations that have been placed at the highest level of decision making. There are no accounts presenting a committed fund balance.

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

Unassigned Fund Balance - available expendable financial resources in a governmental fund that are not designated for a specific purpose. The unassigned balance is made up of General Fund.

NOTE 4 – OTHER INFORMATION

RISK MANAGEMENT

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

CONTINGENT LIABILITIES

Litigation

The ROE is not involved in any lawsuits at June 30, 2021.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 4 – OTHER INFORMATION – Concluded

CONTINGENT LIABILITIES – Concluded

State and Federal Aid Contingencies

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

SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 7, 2022, the date when the financial statements were available to be issued.

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

NOTE 5 – RESTATEMENT

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, was implemented during fiscal year 2021. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity. Beginning net position was restated to retroactively report the change in net position, as follows:

		Fiduciary Custodial Funds
Net Position, June 30, 2020, as previously reported	\$	-
Changes to implement GASB No. 84		1,311
Net Position, June 30, 2020, as restated	\$	1,311

SUPPLEMENTAL INFORMATION

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2021**

	General Fund	Regional Safe Schools Program- General State Aid	Total General Fund
ASSETS			
Cash and Cash Equivalents	\$ 44,321	\$ -	\$ 44,321
Due from Other Governments	19,646	-	19,646
Total Assets	\$ 63,967	\$ -	\$ 63,967
FUND BALANCES			
Unassigned	\$ 63,967	\$ -	\$ 63,967
Total Fund Balances	\$ 63,967	\$ -	\$ 63,967

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND ACCOUNTS
For the Year Ended June 30, 2021

	General Fund	Regional Safe Schools Program- General State Aid	Total General Fund
Revenues			
State Sources	\$ 14,958	\$ 189,997	\$ 204,955
Local Sources	4,630	-	4,630
On-Behalf Payments - State	297,755	-	297,755
On-Behalf Payments - Local	261,830	-	261,830
Investment Earnings	346	-	346
Total Revenues	<u>579,519</u>	<u>189,997</u>	<u>769,516</u>
Expenditures			
Instructional Services			
Purchased Services	11,923	-	11,923
Other Objects	14,958	-	14,958
Administrative			
On-Behalf Payments - State	297,755	-	297,755
On-Behalf Payments - Local	261,830	-	261,830
Intergovernmental			
Payments to Other Governments	-	189,997	189,997
Total Expenditures	<u>586,466</u>	<u>189,997</u>	<u>776,463</u>
Net Change in Fund Balances	(6,947)	-	(6,947)
Fund Balances - Beginning	<u>70,914</u>	<u>-</u>	<u>70,914</u>
Fund Balances - Ending	<u>\$ 63,967</u>	<u>\$ -</u>	<u>\$ 63,967</u>

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2021**

	ROE/ISC Operations	Title II - Teacher Quality Leadership Grant	Regional Safe Schools Program	Regional Safe Schools Cooperative	Total Education Fund
ASSETS					
Due from Other Governments	\$ 1,170	\$ -	\$ -	\$ 34,490	\$ 35,660
Total Assets	1,170	-	-	34,490	35,660
LIABILITIES					
Due to Other Governments	1,170	-	-	34,490	35,660
Total Liabilities	1,170	-	-	34,490	35,660
FUND BALANCES					
Unassigned	-	-	-	-	-
Total Fund Balances (Deficit)	-	-	-	-	-
Total Liabilities and Fund Balances	\$ 1,170	\$ -	\$ -	\$ 34,490	\$ 35,660

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2021

	ROE/ISC Operations	Title II - Teacher Quality Leadership Grant	Regional Safe Schools Program	Regional Safe Schools Cooperative	Total Education Fund
Revenues					
Federal Sources	\$ -	\$ 773	\$ -	\$ -	\$ 773
State Sources	174,763	-	156,391	34,490	365,644
Total Revenues	<u>174,763</u>	<u>773</u>	<u>156,391</u>	<u>34,490</u>	<u>366,417</u>
Expenditures					
Instructional Services					
Purchased Services	-	773	-	-	773
Intergovernmental					
Payments to Other Governments	174,763	-	156,391	34,490	365,644
Total Expenditures	<u>174,763</u>	<u>773</u>	<u>156,391</u>	<u>34,490</u>	<u>366,417</u>
Net Change in Fund Balances	-	-	-	-	-
Fund Balances - Beginning	-	-	-	-	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
ROE/ISC OPERATIONS
For the Year Ended June 30, 2021**

	Budget		Actual
	Original	Final	
Revenues			
State Sources	\$ 174,763	\$ 174,763	\$ 174,763
Expenditures			
Instructional Services			
Salaries and Benefits	-	-	-
Purchased Services	-	-	-
Supplies & Materials	-	-	-
Other Objects	-	-	-
Capital Outlay	-	-	-
Intergovernmental			
Payments to Other Governments	174,763	174,763	174,763
Total Expenditures	174,763	174,763	174,763
Net Change in Fund Balance	\$ -	\$ -	-
Fund Balance - Beginning			-
Fund Balance - Ending			\$ -

**McHENRY COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 44
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNT
 TITLE II- TEACHER QUALITY LEADERSHIP GRANT
 For the Year Ended June 30, 2021**

	Budget		Actual
	Original	Final	
Revenues			
Federal Sources	\$ 2,645	\$ 2,645	\$ 773
Expenditures			
Instructional Services			
Salaries and Benefits	245	245	-
Purchased Services	2,400	2,400	773
Total Expenditures	2,645	2,645	773
Net Change in Fund Balance	\$ -	\$ -	-
Fund Balance - Beginning			-
Fund Balance - Ending			\$ -

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
REGIONAL SAFE SCHOOLS PROGRAM
For the Year Ended June 30, 2021**

	Budget		Actual
	Original	Final	
Revenues			
State Sources	\$ 156,391	\$ 156,391	\$ 156,391
Expenditures			
Instructional Services			
Salaries	131,391	-	-
Purchased Services	12,000	-	-
Supplies and Materials	13,000	-	-
Intergovernmental			
Payments to Other Governments	-	156,391	156,391
Total Expenditures	156,391	156,391	156,391
Net Change in Fund Balance	\$ -	\$ -	-
Fund Balance (Deficit) - Beginning			-
Fund Balance (Deficit) - Ending			\$ -

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
REGIONAL SAFE SCHOOLS COOPERATIVE
For the Year Ended June 30, 2021**

	Budget		Actual
	Original	Final	
Revenues			
State Sources	\$ 45,987	\$ 45,987	\$ 34,490
Expenditures			
Instructional Services			
Salaries	-	-	-
Purchased Services	-	-	-
Supplies and Materials	-	-	-
Intergovernmental			
Payments to Other Governments	45,987	45,987	34,490
Total Expenditures	45,987	45,987	34,490
Net Change in Fund Balance	\$ -	\$ -	-
Fund Balance (Deficit) - Beginning			-
Fund Balance (Deficit) - Ending			\$ -

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
June 30, 2021

	<u>Regional Board of School Trustees</u>	<u>Distributive Fund</u>	<u>Totals</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,311	\$ 30,240	\$ 31,551
Due from Other Governments	-	71,562	71,562
Total Assets	<u>\$ 1,311</u>	<u>\$ 101,802</u>	<u>\$ 103,113</u>
LIABILITIES			
Due to Other Governments	<u>\$ -</u>	<u>\$ 101,802</u>	<u>\$ 101,802</u>
NET POSITION			
Restricted for Other Purpose	<u>\$ 1,311</u>	<u>\$ -</u>	<u>\$ 1,311</u>

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
For the Year Ended June 30, 2021**

	<u>Regional Board of School Trustees</u>	<u>Distributive Fund</u>	<u>Total</u>
ADDITIONS			
Collections of state and federal funds from State Board of Education for school districts and other entities	\$ -	\$ 945,564	\$ 945,564
DEDUCTIONS			
Payments to school districts and other entities	-	945,564	945,564
CHANGE IN NET POSITION	-	-	-
NET POSITION - BEGINNING , RESTATED	<u>1,311</u>	<u>-</u>	<u>1,311</u>
NET POSITION - ENDING	<u>\$ 1,311</u>	<u>\$ -</u>	<u>\$ 1,311</u>

**McHENRY COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 44
 SCHEDULE OF DISBURSEMENTS
 TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
 DISTRIBUTIVE FUND
 For the Year Ended June 30, 2021**

	McHenry County Co-op
CTE - Perkins - Secondary	\$ 294,973
Career & Technical Education Improvement	650,591
	\$ 945,564