

**STATE OF ILLINOIS
McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION # 44
FINANCIAL AUDIT
For the Year Ended June 30, 2014**

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

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

Regional Superintendent
(Current and During the audit period)

Ms. Leslie Schermerhorn

Assistant Regional Superintendent
(Current, During the audit period, and acting effective July 16, 2013)

Dr. Michael Freeman

Offices are located at:

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

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

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

AUDITORS' REPORTS

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

SUMMARY OF AUDIT FINDINGS

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

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

SUMMARY OF FINDINGS AND RESPONSES

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<i>FINDINGS (GOVERNMENT AUDITING STANDARDS)</i>			
2014-001	11a-11b	Controls over Financial Statement Preparation	Material Weakness
2014-002	11c	Inadequate Internal Controls over Grant Funding	Material Weakness
2014-003	11d-11e	Inadequate Internal Controls over Institute Funding	Material Weakness/ Compliance
2014-004	11f	Internal Control over Disbursements	Material Weakness

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

None

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

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference on October 2, 2014. Attending were Leslie Schermerhorn, Regional Superintendent, Barbara Kempster, Bookkeeper and Michelle D. Smith, Partner, Kemper CPA Group LLP. Responses to the recommendations were provided by Leslie Schermerhorn, Regional Superintendent, on February 27, 2015.

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

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

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



INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McHenry County Regional Office of Education #44, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the McHenry County Regional Office of Education #44's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McHenry County Regional Office of Education #44, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the McHenry County Regional Office of Education #44's basic financial statements. The combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and Schedule of Disbursements to School District Treasurers and Other Entities – Distributive Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and Schedule of Disbursements to School District Treasurers and Other Entities - Distributive Fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and Schedule of Disbursements to School District Treasurers and Other Entities - Distributive Fund 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 June 15, 2015, on our consideration of the McHenry County Regional Office of Education #44's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the McHenry County Regional Office of Education #44's internal control over financial reporting and compliance.

Kemper CPA Group LLP

Certified Public Accountants and Consultants

Evansville, Indiana
June 15, 2015

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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McHenry County Regional Office of Education #44, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise McHenry County Regional Office of Education #44's basic financial statements, and have issued our report thereon dated June 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the McHenry County Regional Office of Education #44's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McHenry County Regional Office of Education #44's internal control. Accordingly, we do not express an opinion on the effectiveness of McHenry County Regional Office of Education #44's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2014-001, 2014-002, 2014-003, and 2014-004 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the McHenry County Regional Office of Education #44's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2014-003.

Regional Office of Education #44's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the McHenry County Regional Office of Education #44's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the McHenry County Regional Office of Education #44's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink that reads "Kemper CPA Group LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants and Consultants

Evansville, Indiana
June 15, 2015

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION I – SUMMARY OF AUDITORS' RESULTS
For the Year Ended June 30, 2014**

Financial Statements

Type of auditor's report issued: *unmodified*

Internal control over financial reporting:

- Material weaknesses identified? Yes
- Significant deficiency identified? No

Noncompliance material to financial statements noted? Yes

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2014**

FINDING No. 2014-001– Controls over Financial Statement Preparation

CRITERIA/SPECIFIC REQUIREMENT:

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

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

CONDITION:

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

During review of the Regional Office of Education #44's financial information prepared by the Regional Office of Education #44, the following were noted:

- The Regional Office's financial information required material adjusting entries to accounts receivable, accounts payable, unearned revenue, and fund balances in order to present its financial statements in accordance with generally accepted accounting principles. Proposed adjusting entries were approved and accepted by Regional Office management.
- The Regional Office did not properly record fixed assets and calculate depreciation expense and accumulated depreciation.
- The Regional Office of Education did not record a cash account in its general ledger.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2014**

FINDING No. 2014-001– Controls over Financial Statement Preparation (Concluded)

EFFECT:

- The Regional Office of Education #44's management or its employees, in the normal course of performing their assigned functions, may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.
- Failure to properly record book value of fixed assets and depreciation expense caused the financial statements to be misstated by \$642.
- Failure to record cash held in a financial institution caused the financial statements to be misstated by \$10,725.

CAUSE:

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

RECOMMENDATION:

- As part of internal control over the preparation of financial statements, the Regional Office of Education #44 should implement comprehensive preparation procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education #44's activities and operations.
- The Regional Office should implement procedures to maintain a fixed asset listing and calculate depreciation on those assets annually.
- The Regional Office should implement controls to properly and accurately record all cash accounts held in a financial institution.

MANAGEMENT'S RESPONSE:

- We have hired a new Accounting coordinator, while not a CPA, has had some education in accounting. She will be able to follow appropriate accounting procedures for the Regional Office. Many of the issues that arose in FY 14 may have already been remedied for FY 15. Also, the Regional Office is subject to yearly internal audits by the McHenry County Auditor.
- After further review it appears that the ROE office purchased one new computer cart in FY 2014 using the wrong fund in error. This should have been processed through McHenry County funds. In the future, the Regional Office will maintain a fixed asset listing and calculate depreciation annually.
- The E-Pay funds as of FY 15 will be recorded as its own line item in the General Fund as monthly statements are issued. This will ensure the cash is recorded and accounted for accurately.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2014**

FINDING No. 2014-002 – Inadequate Internal Controls over Grant Funding

CRITERIA/SPECIFIC REQUIREMENT:

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

CONDITION:

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

EFFECT:

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

CAUSE:

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

RECOMMENDATION:

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

MANAGEMENT’S RESPONSE:

Federal Title II funds will be set up with its own segregated line item within the Institute Fund to distinguish itself from other non-Federal funds.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2014**

FINDING No. 2014-003 – Inadequate Internal Controls over Institute Funding

CRITERIA/SPECIFIC REQUIREMENT:

According to Article 3 of the Illinois School Code (105 ILCS 5/3-12), fees paid into the Institute Fund are restricted to specific uses, including to defray expenses incidental to teachers' institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers or to defray the expense of any general or special meetings of teachers or school personnel of the region that has been approved by the Regional Superintendent.

CONDITION:

We noted the following expenditures paid from the Institute Fund, totaling \$12,731, were not allowed under the statute.

- The Regional Superintendent and Assistant Regional Superintendents attended multiple meetings, seminars and conferences not related to teacher development. Costs related to these meetings, seminars and conferences were as follows:
 - Hotels \$3,255
 - Meals \$996 – One meal was reimbursed as part of the hotel bill, and then again with the same receipt as a reimbursement to the traveler.
 - Taxis \$34
- Twelve (12) computers and a computer cart for students totaling \$3,844 along with supplies and payments to a teacher to teach at the alternative school which totaled \$942 and \$1,120, respectively.
- Sponsorship of events benefitting students \$1,700.
- Dues paid to the Illinois Association of School Boards \$840.

EFFECT:

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

CAUSE:

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

RECOMMENDATION:

The Regional Office of Education should review the State statute and consult with the Illinois State Board of Education or legal counsel if there is uncertainty as to whether a particular expenditure is permitted for the Institute Fund under Article 3 of the Illinois School Code.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2014**

**FINDING No. 2014-003 – Inadequate Internal Controls over Institute Funding
(Concluded)**

MANAGEMENT’S RESPONSE:

The Regional Superintendent, Assistant Superintendent and Accounting Coordinator have reviewed the restrictions on the use of Institute funds ILCS Article 3. The audit process has provided the Regional Superintendent and Accounting Coordinator a better understanding of the use of the Institute Fund and how the monies may be spent. In the event the Regional Superintendent is uncertain of whether an expense falls within the scope of the statutorily prescribed uses for the Institute funds, he/she will confer with legal counsel at the Illinois State Board of Education (ISBE).

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2014**

FINDING No. 2014-004 – Internal Control over Disbursements

CRITERIA/SPECIFIC REQUIREMENT:

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

CONDITION:

During our testing of internal control and detailed review of program financial information, six expenditures were not supported by proper detailed documentation.

- In a sample of forty transactions, it was noted in two instances that expenditures out of the GED fund were not supported by proper detailed documentation. In further audit work of the GED fund, an additional two transactions were identified which were not supported by proper detailed documentation.
- In testing fifty-seven transactions from five credit card statements, two instances were noted where expenditures were not supported by proper detailed documentation.

EFFECT:

Lack of proper documentation to support expenditures 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 Superintendent stated she was not aware that detailed support should be kept on file for all expenditures.

RECOMMENDATION:

As part of its internal control over cash disbursements, all supporting documentation for expenditures should be reviewed before checks are written and kept on file at the Regional Office.

MANAGEMENT'S RESPONSE:

The items paid from the GED fund that were found to have a lack of documentation were part of a discontinued process. These items related to old GED testing procedures when the Regional Office handled the applications and registrations. As of January 1, 2014 the applications and registrations are done online directly by the individual. The new Accounting Coordinator understands the importance of proper documentation and will work closely with the Regional Office Administrator to ensure proper documentation for not only GED, but all funds be maintained in the future. The Regional Superintendent initials all invoices and signs all checks issued. The Regional Superintendent also reviews and signs off on all monthly expenses and bank statements.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For Year Ended June 30, 2014**

Corrective Action Plan

FINDING No. 2014-001– Controls over Financial Statement Preparation

CONDITION:

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

During review of the Regional Office of Education #44's financial information prepared by the Regional Office of Education #44, the following were noted:

- The Regional Office's financial information required material adjusting entries to accounts receivable, accounts payable, unearned revenue, and fund balances in order to present its financial statements in accordance with generally accepted accounting principles. Proposed adjusting entries were approved and accepted by Regional Office management.
- The Regional Office did not properly record fixed assets and calculate depreciation expense and accumulated depreciation.
- The Regional Office of Education did not record a cash account in its general ledger.

PLAN:

- We have hired a new Accounting coordinator, while not a CPA, has had some education in accounting. She will be able to follow appropriate accounting procedures for the Regional Office. Many of the issues that arose in FY 14 may have already been remedied for FY 15. Also, the Regional Office is subject to yearly internal audits by the McHenry County Auditor.
- After further review it appears that the ROE office purchased one new computer cart in FY 2014 using the wrong fund in error. This should have been processed through McHenry County funds. In the future, the Regional Office will maintain a fixed asset listing and calculate depreciation annually.
- The E-Pay funds as of FY 15 will be recorded as its own line item in the General Fund as monthly statements are issued. This will ensure the cash is recorded and accounted for accurately.

ANTICIPATED DATE OF COMPLETION: July 1, 2015

CONTACT PERSON:

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For Year Ended June 30, 2014**

Corrective Action Plan

FINDING No. 2014-002 – Inadequate Internal Controls over Grant Funding

CONDITION:

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

PLAN:

Federal Title II funds will be set up with its own segregated line item within the Institute Fund to distinguish itself from other non-Federal funds.

ANTICIPATED DATE OF COMPLETION: Immediately upon learning of oversight.

CONTACT PERSON:

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For Year Ended June 30, 2014**

Corrective Action Plan

FINDING No. 2014-003 – Inadequate Internal Controls over Institute Funding

CONDITION:

We noted the following expenditures paid from the Institute Fund, totaling \$12,731, were not allowed under the statute.

- The Regional Superintendent and Assistant Regional Superintendents attended multiple meetings, seminars and conferences not related to teacher development. Costs related to these meetings, seminars and conferences were as follows:
 - Hotels \$3,255
 - Meals \$996 – One meal was reimbursed as part of the hotel bill, and then again with the same receipt as a reimbursement to the traveler.
 - Taxis \$34
- Twelve (12) computers and a computer cart for students totaling \$3,844 along with supplies and payments to a teacher to teach at the alternative school which totaled \$942 and \$1,120, respectively.
- Sponsorship of events benefitting students \$1,700.
- Dues paid to the Illinois Association of School Boards \$840.

PLAN:

The Regional Superintendent, Assistant Superintendent and Accounting Coordinator have reviewed the restrictions on the use of Institute funds ILCS Article 3. The audit process has provided the Regional Superintendent and Accounting Coordinator a better understanding of the use of the Institute Fund and how the monies may be spent. In the event the Regional Superintendent is uncertain of whether an expense falls within the scope of the statutorily prescribed uses for the Institute funds, he/she will confer with legal counsel at the Illinois State Board of Education (ISBE).

ANTICIPATED DATE OF COMPLETION: Immediately upon learning of oversight.

CONTACT PERSON:

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For Year Ended June 30, 2014**

Corrective Action Plan

FINDING No. 2014-004 – Internal Control over Disbursements

CONDITION:

During our testing of internal control and detailed review of program financial information, six expenditures were not supported by proper detailed documentation.

- In a sample of forty transactions, it was noted in two instances that expenditures out of the GED fund were not supported by proper detailed documentation. In further audit work of the GED fund, an additional two transactions were identified which were not supported by proper detailed documentation.
- In testing fifty-seven transactions from five credit card statements, two instances were noted where expenditures were not supported by proper detailed documentation.

PLAN:

The items paid from the GED fund that were found to have a lack of documentation were part of a discontinued process. These items related to old GED testing procedures when the Regional Office handled the applications and registrations. As of January 1, 2014 the applications and registrations are done online directly by the individual. The new Accounting Coordinator understands the importance of proper documentation and will work closely with the Regional Office Administrator to ensure proper documentation for not only GED, but all funds be maintained in the future. The Regional Superintendent initials all invoices and signs all checks issued. The Regional Superintendent also reviews and signs off on all monthly expenses and bank statements.

ANTICIPATED DATE OF COMPLETION: Immediately upon learning of oversight.

CONTACT PERSON:

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SUMMARY SCHEDULE OR PRIOR YEAR AUDIT FINDINGS
For Year Ended June 30, 2014**

Finding No.

Condition

Current Status

None

MANAGEMENT'S DISCUSSION AND ANALYSIS

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

The Regional Office of Education #44 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year 2014 that ended on June 30, 2014. Readers are encouraged to consider the information in conjunction with the Regional Office's financial statements that follow.

2014 Financial Highlights

- Within the Governmental Funds, the General Fund revenues increased by \$402,350 from \$700,002 in fiscal year 2013 to \$1,102,352 in fiscal year 2014. General Fund expenditures increased by \$457,075 from \$706,470 in fiscal year 2013 to \$1,163,545 in fiscal year 2014. The majority of the revenue and expenditure increases are due to an increase in On-behalf payments received by the Regional Office.
- Within the Governmental Funds, the Special Revenue Fund revenue decreased by \$67,449 from \$434,668 in fiscal year 2013 to \$367,219 in fiscal year 2014. The Special Revenue Fund expenditures decreased by \$25,584 from \$411,512 in fiscal year 2013 to \$385,928 in fiscal year 2014. The revenue decrease in 2014 is due to less funding from state sources and a change in a service offered by the ROE. Shortly after the start of FY14, teachers certifications went online and as of 1/1/14, GED application fees were no longer being collected and forwarded from the Regional Office. This change also decreased the 2014 expenditures.

Using This Annual Report

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

The Office has three kinds of funds:

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

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

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve, when examined over time, as one indicator of the financial position of the Regional Office. The net position at the end of fiscal year 2014 totaled \$452,306. At the end of fiscal year 2013, the net position was \$462,844. Net position related to the following funds is considered restricted: Institute Fund is considered restricted for teacher professional development, General Educational Development is considered restricted for educational programs to assist those students who completed the GED test to further their academic development or secure gainful employment and Transportation is restricted for use of bus driver training. The analysis that follows provides a summary of the Office's net position as of June 30, 2014 and 2013, for the governmental and business-type activities.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

**CONDENSED STATEMENT OF NET POSITION
June 30, 2014 an 2013**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets						
Current assets	\$ 424,671	\$ 514,407	\$ 66,998	\$ -	\$ 491,669	\$ 514,407
Capital assets, being depreciated, net	642	-	-	-	642	-
Total Assets	<u><u>425,313</u></u>	<u><u>514,407</u></u>	<u><u>66,998</u></u>	<u><u>-</u></u>	<u><u>492,311</u></u>	<u><u>514,407</u></u>
Current Liabilities						
Total Liabilities	<u><u>21,580</u></u>	<u><u>51,563</u></u>	<u><u>18,425</u></u>	<u><u>-</u></u>	<u><u>40,005</u></u>	<u><u>51,563</u></u>
Net Position:						
Net investment in capital assets	642	-	-	-	642	-
Unrestricted	5,297	64,826	48,573	-	53,870	64,826
Restricted for educational purposes	397,794	398,018	-	-	397,794	398,018
Total Net Position	<u><u>\$ 403,733</u></u>	<u><u>\$ 462,844</u></u>	<u><u>\$ 48,573</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 452,306</u></u>	<u><u>\$ 462,844</u></u>

The Regional Office of Education's net position decreased by \$10,538 from fiscal year 2013 to fiscal year 2014. This decrease relates to an increase in expenses for fiscal year 2014.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

The following analysis shows the changes in net position for the years ended June 30, 2014 and 2013.

CHANGES IN NET POSITION
For the Years Ended June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues						
Charges for services	\$ -	\$ -	\$ 115,609	\$ -	\$ 115,609	\$ -
Operating grants	276,458	400,414	-	-	276,458	400,414
General Revenues						
Local sources	89,539	200,965	-	-	89,539	200,965
State sources	146,385	-	-	-	146,385	-
Federal sources	-	-	-	-	-	-
Interest income	417	454	83	-	500	454
On-behalf payments - County	618,935	238,309	-	-	618,935	238,309
On-behalf payments - State	337,837	293,070	-	-	337,837	293,070
Miscellaneous	-	1,458	-	-	-	1,458
Transfers	12,055	-	(12,055)	-	-	-
Total revenues	1,481,626	1,134,670	103,637	-	1,585,263	1,134,670
Expenses:						
Program expenses						
Salaries and Benefits	-	585	-	-	-	585
Purchased services	136,269	192,331	102,736	-	239,005	192,331
Supplies and materials	21,550	8,265	-	-	21,550	8,265
Payment to other governments	370,747	385,422	-	-	370,747	385,422
Depreciation expense	34	-	-	-	34	-
Other objects	63,459	-	9,123	-	72,582	-
Administration expenses						
On-behalf payments - County	618,935	238,309	-	-	618,935	238,309
On-behalf payments - State	337,837	293,070	-	-	337,837	293,070
Total expenses	1,548,831	1,117,982	111,859	-	1,660,690	1,117,982
Changes in net position	(67,205)	16,688	(8,222)	-	(75,427)	16,688
Net position beginning of year - restated (see note 9)	470,938	446,156	56,795	-	527,733	446,156
Net position end of year	\$ 403,733	\$ 462,844	\$ 48,573	\$ -	\$ 452,306	\$ 462,844

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Governmental Activities

Revenues for governmental activities were \$1,481,626 and expenses were \$1,548,831 for the year ended June 30, 2014. Revenues for governmental activities were \$1,134,670 and expenses were \$1,117,982 for the year ended June 30, 2013. Revenue and expense increased due to an increase in on behalf payments.

Business-type Activities

Revenues for business-type activities were \$115,609 and expenses were \$111,859 for the year ended June 30, 2014. Revenues and expenses for business-type activities were \$0 for the year ended June 30, 2013. The increase in revenues is due primarily to a reclassification of the Fingerprinting Fund, which was classified as part of the General Fund at June 30, 2013, as a proprietary fund in 2014.

Financial analysis of the Regional Office of Education #44 Funds

As previously noted, the Regional Office of Education #44 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Regional Office's Governmental Funds reported combined fund balances of \$403,091 at June 30, 2014 compared to fiscal year 2013's ending fund balance of \$462,844. Fund balances decreased in the current year due to decreases in funding as previously described.

Budgetary Highlights

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

Capital Assets

Capital assets of the Regional Office of Education #44 include office equipment. The Regional Office of Education #44 maintains an inventory of capital assets that have been accumulated over time. During the year ended June 30, 2014, Regional Office of Education #44 purchased assets totaling \$676 and deleted no assets, resulting in an ending balance of \$642. In addition, the Regional Office of Education #44 has adopted a depreciation schedule that reflects the level of Net Governmental Activities Capital Assets. More detailed information about capital assets is available in Note 3 of the financial statements.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Economic Factors and Next Year's Budget

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

- Drug Free Community Grant was accepted which could potentially increase revenue and expenses for the next five years.
- Both revenue and expenses for GED will decrease significantly now that all application fees for testing are no longer manually handled through the ROE office.
- Federal funding has decreased for the Title II program.
- ROE #44 applied for and was awarded a REAP Grant (Small, Rural School Achievement Program) in FY15.

Contacting the Regional Office's Financial Management

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

BASIC FINANCIAL STATEMENTS

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 400,700	\$ 66,998	\$ 467,698
Due from other governments:			
State	12,806	-	12,806
Federal	11,165	-	11,165
Total current assets	<u>424,671</u>	<u>66,998</u>	<u>491,669</u>
NONCURRENT ASSETS:			
Capital assets, net of depreciation	<u>642</u>	<u>-</u>	<u>642</u>
Total noncurrent assets	<u>642</u>	<u>-</u>	<u>642</u>
TOTAL ASSETS	<u>425,313</u>	<u>66,998</u>	<u>492,311</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	609	10,917	11,526
Due to other governments:			
Local	20,971	-	20,971
Unearned revenue	-	7,508	7,508
Total current liabilities	<u>21,580</u>	<u>18,425</u>	<u>40,005</u>
TOTAL LIABILITIES	<u>21,580</u>	<u>18,425</u>	<u>40,005</u>
NET POSITION			
Investment in capital assets	642	-	642
Unrestricted	5,297	48,573	53,870
Restricted for educational purposes	<u>397,794</u>	<u>-</u>	<u>397,794</u>
TOTAL NET POSITION	<u>\$ 403,733</u>	<u>\$ 48,573</u>	<u>\$ 452,306</u>

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

FUNCTIONS/PROGRAMS	Net (Expense) Revenue and Changes in Net Position					
	Expenses	Program Revenues		Primary Government		Total
		Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	
PRIMARY GOVERNMENT						
Governmental Activities:						
Instructional Services:						
Purchased services	\$ 136,269	\$ -	\$ 34,761	\$ (101,508)	\$ -	\$ (101,508)
Supplies and materials	21,550	-	12,328	(9,222)	-	(9,222)
Other objects	63,459	-	-	(63,459)	-	(63,459)
Depreciation	34	-	-	(34)	-	(34)
Capital outlay	-	-	676	676	-	676
Payments to other governments	370,747	-	228,693	(142,054)	-	(142,054)
Administrative:						
On-behalf payments - State	337,837	-	-	(337,837)	-	(337,837)
On-behalf payments - County	618,935	-	-	(618,935)	-	(618,935)
Total Governmental Activities	<u>1,548,831</u>	<u>-</u>	<u>276,458</u>	<u>(1,272,373)</u>	<u>-</u>	<u>(1,272,373)</u>
Business-type Activities:						
Fingerprinting Fund	111,859	115,609	-	-	3,750	3,750
Total Business-type Activities	<u>111,859</u>	<u>115,609</u>	<u>-</u>	<u>-</u>	<u>3,750</u>	<u>3,750</u>
Total Primary Government	<u>1,660,690</u>	<u>115,609</u>	<u>276,458</u>	<u>(1,272,373)</u>	<u>3,750</u>	<u>(1,268,623)</u>
General Revenues:						
Local sources				89,539	-	89,539
State sources				146,385	-	146,385
On-behalf payments - County				618,935	-	618,935
On-behalf payments - State				337,837	-	337,837
Interest income				417	83	500
Transfers				12,055	(12,055)	-
Total General Revenues				<u>1,205,168</u>	<u>(11,972)</u>	<u>1,193,196</u>
Change in net position				(67,205)	(8,222)	(75,427)
Net Position - beginning - restated (see note 9)				<u>470,938</u>	<u>56,795</u>	<u>527,733</u>
Net Position - ending				<u>\$ 403,733</u>	<u>\$ 48,573</u>	<u>\$ 452,306</u>

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

	General Fund	Education Fund	General Educational Development	Institute Fund	NonMajor Special Revenue Funds	Eliminations	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 5,973	\$ -	\$ 41,615	\$ 335,169	\$ 17,943	\$ -	\$ 400,700
Due from other funds	-	-	-	3,676	-	(3,676)	-
Due from other governments:							
State	-	12,806	-	-	-	-	12,806
Federal	-	11,165	-	-	-	-	11,165
TOTAL ASSETS	\$ 5,973	\$ 23,971	\$ 41,615	\$ 338,845	\$ 17,943	\$ (3,676)	\$ 424,671
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ 609	\$ -	\$ -	\$ 609
Due to other funds	676	3,000	-	-	-	(3,676)	-
Due to other governments:							
Local	-	20,971	-	-	-	-	20,971
Total Liabilities	676	23,971	-	609	-	(3,676)	21,580
FUND BALANCES							
Restricted	-	-	41,615	338,236	17,943	-	397,794
Unassigned	5,297	-	-	-	-	-	5,297
Total fund balances	5,297	-	41,615	338,236	17,943	-	403,091
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,973	\$ 23,971	\$ 41,615	\$ 338,845	\$ 17,943	\$ (3,676)	\$ 424,671

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2014

Total fund balance - governmental funds \$ 403,091

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

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported in the funds. 642

Net position of governmental activities \$ 403,733

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General Fund	Education Fund	General Educational Development	Institute Fund	NonMajor Special Revenue Funds	Total Governmental Funds
REVENUES						
State sources	\$ 141,939	\$ 203,316	\$ -	\$ -	\$ 1,707	\$ 346,962
Federal sources	-	75,881	-	-	-	75,881
Local sources	3,605	-	8,997	68,465	8,472	89,539
Interest	36	-	42	322	17	417
On-behalf payments - State	337,837	-	-	-	-	337,837
On-behalf payments - Local	618,935	-	-	-	-	618,935
Total revenues	<u>1,102,352</u>	<u>279,197</u>	<u>9,039</u>	<u>68,787</u>	<u>10,196</u>	<u>1,469,571</u>
EXPENDITURES						
Instructional Services						
Purchased services	92	38,061	6,245	84,682	7,189	136,269
Supplies and materials	2,698	12,328	973	5,551	-	21,550
Payments to other governments	141,939	228,808	-	-	-	370,747
Other objects	61,368	-	17	2,060	14	63,459
On-behalf payments - State	337,837	-	-	-	-	337,837
On-behalf payments - Local	618,935	-	-	-	-	618,935
Capital outlay	676	-	-	-	-	676
Total expenditures	<u>1,163,545</u>	<u>279,197</u>	<u>7,235</u>	<u>92,293</u>	<u>7,203</u>	<u>1,549,473</u>
Excess/(Deficiency) of revenues over (under) expenditures	<u>(61,193)</u>	<u>-</u>	<u>1,804</u>	<u>(23,506)</u>	<u>2,993</u>	<u>(79,902)</u>
OTHER FINANCING SOURCES (USES)						
Transfer in	-	-	-	12,055	-	12,055
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,055</u>	<u>-</u>	<u>12,055</u>
Net change in fund balance	<u>(61,193)</u>	<u>-</u>	<u>1,804</u>	<u>(11,451)</u>	<u>2,993</u>	<u>(67,847)</u>
FUND BALANCE, BEGINNING OF YEAR - restated (see note 9)	<u>66,490</u>	<u>-</u>	<u>39,811</u>	<u>349,687</u>	<u>14,950</u>	<u>470,938</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,297</u>	<u>\$ -</u>	<u>\$ 41,615</u>	<u>\$ 338,236</u>	<u>\$ 17,943</u>	<u>\$ 403,091</u>

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

**McHENRY COUNTY
 REGIONAL OFFICE OF EDUCATION #44
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2014**

Net change in fund balances \$ (67,847)

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

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

Capital outlay	\$ 676	
Depreciation expense	(34)	<u>642</u>

Change in net position of governmental activities \$ (67,205)

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2014**

	<u>Business-Type Activities - Enterprise Fund</u>
	<u>Fingerprinting Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 66,998
Liabilities	
Current liabilities	
Accounts payable	10,917
Unearned revenue	7,508
Total current liabilities	<u>18,425</u>
Net Position	
Unrestricted	<u>48,573</u>
Total Net Position	<u><u>\$ 48,573</u></u>

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2014**

	Business-Type Activities - Enterprise Fund
	Fingerprinting Fund
Operating Revenues	
Charges for services	\$ 115,609
Operating Expenses	
Purchased services	102,736
Other objects	9,123
Total operating expenses	111,859
Operating Income (Loss)	3,750
Nonoperating Revenue	
Interest income	83
Total Nonoperating Revenue	83
Other Financing Sources and (Uses)	
Transfers out	(12,055)
Total Other Financing Sources and (Uses)	(12,055)
Change in Net Position	(8,222)
Net Position, Beginning of year - restated (see note 9)	56,795
Net Position, End of year	\$ 48,573

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2014**

	Business-Type Activities - <u>Enterprise Fund</u> <u>Finger Printing</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 113,328
Payments to suppliers and providers of goods and services	<u>(112,738)</u>
Net cash provided by operating activities	<u>590</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments to other funds	<u>(12,055)</u>
Net Cash used for noncapital financing activities	<u>(12,055)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>83</u>
Net cash provided by investing activities	<u>83</u>
Net decrease in cash and cash equivalents	(11,382)
Cash and cash equivalents - Beginning of year	<u>78,380</u>
Cash and cash equivalents - End of year	<u><u>\$ 66,998</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 3,750
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase/(decrease) in liabilities:	
Unearned revenue	(2,281)
Accounts payable	<u>(879)</u>
Net cash provided by operating activities	<u><u>\$ 590</u></u>

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 17,134
Due from other governments	<u>51,132</u>
TOTAL ASSETS	<u>\$ 68,266</u>
LIABILITIES	
Due to other governments	<u>\$ 68,266</u>
TOTAL LIABILITIES	<u>\$ 68,266</u>

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. DATE OF MANAGEMENT’S REVIEW

The McHenry County Regional Office of Education #44 has evaluated subsequent events through June 15, 2015, the date which the financial statements were available to be issued.

B. REPORTING ENTITY

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

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the McHenry County Regional Office of Education #44’s districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

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

The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for the districts in the McHenry County Regional Office of Education #44, or see that no payments are made unless the treasurer has filed or renewed appropriate bond and that the district has certified publication of the annual financial report. The Regional Superintendent is required to provide opinions and advice related to controversies under school law.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. REPORTING ENTITY (Concluded)

For the period ended June 30, 2014, the McHenry County Regional Office of Education #44 applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in McHenry County Regional Office of Education #44. Such activities are reported as a single special revenue fund (Education Fund).

C. SCOPE OF THE REPORTING ENTITY

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

The McHenry County Regional Office of Education #44 has developed criteria to determine whether outside agencies with activities which benefit the citizens of the McHenry County Regional Office of Education #44, including districts or joint agreements which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the McHenry County Regional Office of Education #44 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The districts and joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the McHenry County Regional Office of Education #44 does not control the assets, operations, or management of the districts or joint agreements. In addition, the McHenry County Regional Office of Education #44 is not aware of any entity, which would exercise such oversight as to result in the McHenry County Regional Office of Education #44 being considered a component unit of the entity.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. NEW ACCOUNTING PRONOUNCEMENTS

In 2014, the Regional Office of Education No. 44 implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement No. 66, *Technical Corrections – 2012 - an amendment of GASB Statements No. 10 and No. 62*; GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*; and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The Regional Office of Education No. 44 implemented these standards during the current year; however, GASB Statement No. 70 had no impact on the financial statements. The implementation of GASB Statement No. 65 reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB Statement No. 66 resolved conflicting guidance that resulted from the issuance of GASB Statement Nos. 54 and 62 regarding risk financing activities, operating leases, purchased loans, and servicing fees. The implementation of GASB Statement No. 67 improved financial reporting by state and local governmental pension plans.

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

E. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, such as payables, receivables and transfers. Interfund activities between governmental funds and proprietary funds appear as due to/due from other funds on the governmental fund Balance Sheet and proprietary fund Statement of Net Position and as other financing sources/uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and on the proprietary fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and business-type funds remain as due to/due from on the government-wide financial statements. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities. The purpose of interfund borrowing and permanent transfers is to cover temporary or permanent short falls in cash flow within grant programs and funds.

F. PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

I. FUND ACCOUNTING

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

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

GOVERNMENTAL FUNDS

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

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

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

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

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

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

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

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

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

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Concluded)

Major Special Revenue Funds (Concluded)

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

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

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

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

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

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

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

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

PROPRIETARY FUNDS

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

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. FUND ACCOUNTING (Concluded)

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the McHenry County Regional Office of Education #44 in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Fiduciary Funds include the following:

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

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

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

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

J. GOVERNMENTAL FUND BALANCES

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

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

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

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. GOVERNMENTAL FUND BALANCES (Concluded)

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

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

K. NET POSITION

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

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

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

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

L. BUDGETARY DATA

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

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

M. CASH AND CASH EQUIVALENTS

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

N. INVENTORIES

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

O. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received.

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

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

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

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

P. ESTIMATES

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

Q. UNEARNED REVENUE

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

R. REVENUE FROM FEDERAL AND STATE GRANTS

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 2 – DEPOSITS AND INVESTMENTS

The *Illinois Compiled Statutes* authorize the McHenry County Regional Office of Education #44 to make deposits and invest in U.S. Government, State of Illinois and municipal securities, certificates of deposit or time savings deposits insured by the FDIC, mortgage notes, bonds, or debentures issued by the Federal Housing Administration, bonds and other obligations of the Federal National Mortgage Association, commercial paper rated within the three highest classifications by at least two standard rating services, credit union shares, and the Illinois Public Treasurer’s Investment Pool.

A. BANK DEPOSITS

At June 30, 2014, the carrying amount of the McHenry County Regional Office of Education #44’s government-wide and agency deposits were \$467,698 and \$17,134, respectively. The government-wide and agency bank balances were \$460,518 and \$59,096, respectively. Of the total bank balances as of June 30, 2014, \$309,096 was secured by federal depository insurance and \$210,518 was collateralized by securities pledged by the McHenry County Regional Office of Education #44’s financial institution in the name of the Regional Office.

CUSTODIAL CREDIT RISK

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

B. INVESTMENTS

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

As of June 30, 2014, the carrying and fair value McHenry County Regional Office of Education #44’s government-wide and agency investments as follows:

	Government-Wide	Agency
Invested in Illinois Funds investment pool	\$ 10,725	\$ 71

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 2 – DEPOSITS AND INVESTMENTS (Concluded)

B. INVESTMENTS (Concluded)

CREDIT RISK

At June 30, 2014, the Illinois Funds Money Market Fund had a Standard and Poor's AAA rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provision of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

INTEREST RATE RISK

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

The Regional Office of Education #44's policy for reducing its exposure to the risk is to structure their portfolio so that securities mature to meet the cash requirements for ongoing operations. As of June 30, 2014, all the investments have investment maturities of less than one year.

CONCENTRATION OF CREDIT RISK

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 3 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the McHenry County Regional Office of Education #44 has reported capital assets in the government-wide Statement of Net position. Purchases are reported as capital outlay in the governmental fund statements. Purchases of capital assets for business-type activities are capitalized when purchased. The following table provides a summary of changes in capital assets, accumulated depreciation, and investment in capital assets for the year ended June 30, 2014:

	<u>Balance</u> <u>July 01, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Governmental Activities:				
<u>Education Fund</u>				
Equipment	\$ 9,500	\$ 676	\$ -	\$ 10,176
Governmental Activities Total Assets	<u>9,500</u>	<u>676</u>	<u>-</u>	<u>10,176</u>
Less Accumulated Depreciation				
Equipment	(9,500)	(34)	-	(9,534)
Total Accumulated Depreciation	<u>(9,500)</u>	<u>(34)</u>	<u>-</u>	<u>(9,534)</u>
Governmental Activities				
Investment in Capital Assets, Net	<u>\$ -</u>	<u>\$ 642</u>	<u>\$ -</u>	<u>\$ 642</u>

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2014 of \$34 was charged to the governmental activities, instructional services on the government-wide Statement of Activities. Investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation.

NOTE 4 – PENSION PLANS

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 5 – DUE FROM/TO OTHER FUNDS

Interfund due to/from other fund balances at June 30, 2014 consist of the following individual due to/from other funds in the governmental fund balance sheet. The balances between governmental funds were eliminated in the government-wide Statement of Net Position.

	Due From Other Funds	Due To Other Funds
Education Fund	\$ -	\$ 3,000
General Fund	-	676
Institute Fund	3,676	-
	\$ 3,676	\$ 3,676

TRANSFERS

Interfund transfers in/out to other fund balances at June 30, 2014 consist of the following individual transfers in/out to other funds in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The transfer balances between governmental funds were eliminated in the government-wide Statement of Activities.

	Transfer Out	Transfer In
Fingerprinting Fund	\$ 12,055	\$ -
Institute Fund	-	12,055
	\$ 12,055	\$ 12,055

NOTE 6 – RISK MANAGEMENT

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 7 – ON BEHALF PAYMENTS

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

Regional Superintendent Salary	\$ 109,488
Assitant Regional Superintendent Salary	94,438
Regional Superintendent Fringe Benefit (Includes State paid insurance)	29,279
Assitant Regional Superintendent Fringe Benefit (Includes State paid insurance)	30,444
Regional Superintendent TRS Pension Contribution	38,770
Assitant Regional Superintendent TRS Pension Contribution	33,440
Regional Superintendent THIS Contributions	1,062
Assitant Regional Superintendent THIS Contributions	916
Total	<u>\$ 337,837</u>

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education.

These amounts have been recorded in the accompanying financial statements as State revenue and expenditures.

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

Direct Expenditures (including salaries)	\$ 199,998
Benefits	62,488
Value of Space Provided by McHenry County	<u>356,449</u>
McHenry County on-behalf payments	618,935
State of Illinois on-behalf payments	<u>337,837</u>
Total on-behalf payments	<u>\$ 956,772</u>

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 8 – DUE TO/FROM OTHER GOVERNMENTS

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

Due From Other Governments:

<u>Education Fund</u>	
Federal Resources:	
U.S. Government	\$ 11,165
State Resources:	
Illinois State Board of Education	12,806
<u>Agency Fund</u>	
State Resources:	
Illinois State Board of Education	51,132
Total	\$ 75,103

Due To Other Governments:

<u>Education Fund</u>	
Local Governments	\$ 20,971
<u>Agency Fund</u>	
Local Governments	68,266
Total	\$ 89,237

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 9 – PRIOR PERIOD ADJUSTMENT

On June 30, 2010, the McHenry County Film Library dissolved with the remaining funds being retained by the McHenry County Regional Office of Education #44.

In prior audit periods the Fingerprinting fund was accounted for within the McHenry County Regional Office of Education #44's General Fund. For FY 2014, the Fingerprinting fund was changed to a proprietary fund. There was teacher certificate revenue in an Illinois funds account that had not been recorded in the general ledger.

	Governmental Funds	Proprietary Funds
Fund Balance, July 1, 2013	\$ 462,844	\$ -
McHenry County Film Library reclassified out of Agency Funds to the General Fund	58,459	-
Fingerprinting Reclassified out of the Governmental Funds to Proprietary Funds	(56,795)	56,795
Adjustment to Institute Fund balance for revenues not recorded in prior audit period	6,430	-
Total Prior Period Adjustment	8,094	56,795
Fund Balance, July 1, 2013, Restated	\$ 470,938	\$ 56,795

	Agency Funds
Due to Other Governments, July 1, 2013	\$ 95,665
McHenry County Film Library reclassified out of Agency Funds to the General Fund	(58,459)
Total Prior Period Adjustment	(58,459)
Due to Other Governments, July 1, 2013, Restated	\$ 37,206

SUPPLEMENTAL INFORMATION

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2014**

	<u>General Fund</u>	<u>Regional Safe Schools Program - General State Aid</u>	<u>Totals</u>
Assets			
Cash and cash equivalents	\$ 5,973	\$ -	\$ 5,973
Total Assets	<u>\$ 5,973</u>	<u>\$ -</u>	<u>\$ 5,973</u>
Liabilities			
Due to other funds	\$ 676	\$ -	\$ 676
Due to other governments			
Local	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>676</u>	<u>-</u>	<u>676</u>
Fund Balance			
Unassigned	<u>5,297</u>	<u>-</u>	<u>5,297</u>
Total Fund Balance	<u>5,297</u>	<u>-</u>	<u>5,297</u>
Total Liabilities and Fund Balance	<u>\$ 5,973</u>	<u>\$ -</u>	<u>\$ 5,973</u>

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND ACCOUNTS
For the Year Ended June 30, 2014

	General Fund	Regional Safe Schools Program - General State Aid	Totals
Revenues			
State sources	\$ -	\$ 141,939	\$ 141,939
Local sources	3,605	-	3,605
Interest	36	-	36
On-behalf payments - State	337,837	-	337,837
On-behalf payments - County	618,935	-	618,935
Total Revenues	960,413	141,939	1,102,352
Expenditures			
Purchased services	92	-	92
Supplies and materials	2,698	-	2,698
Payments to other governments	-	141,939	141,939
Other objects	61,368	-	61,368
Capital outlay	676	-	676
On-behalf expenditures - State	337,837	-	337,837
On-behalf expenditures - County	618,935	-	618,935
Total Expenditures	1,021,606	141,939	1,163,545
Net change in fund balance	(61,193)	-	(61,193)
Fund Balance, Beginning of year - restated (see note 9)	66,490	-	66,490
Fund Balance, End of year	\$ 5,297	\$ -	\$ 5,297

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2014**

	Safe and Drug Free Schools	ROE/ISC Operations	Title II - Teacher Quality - Leadership Grant	Regional Safe Schools Program	Totals
Assets					
Due from other governments					
Federal	\$ 8,165	\$ -	\$ 3,000	\$ -	\$ 11,165
State	-	-	-	12,806	12,806
Total Assets	<u>\$ 8,165</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ 12,806</u>	<u>\$ 23,971</u>
Liabilities					
Due to other funds	\$ -	\$ -	\$ 3,000	\$ -	\$ 3,000
Due to other governments					
Local	8,165	-	-	12,806	20,971
Total Liabilities	<u>8,165</u>	<u>-</u>	<u>3,000</u>	<u>12,806</u>	<u>23,971</u>
Fund Balance					
Restricted	-	-	-	-	-
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities & Fund Balance	<u>\$ 8,165</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ 12,806</u>	<u>\$ 23,971</u>

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2014**

	Safe and Drug Free Schools	ROE/ISC Operations	Title II - Teacher Quality - Leadership Grant	Regional Safe Schools Program	Totals
Revenues					
State sources	\$ -	\$ 49,633	\$ -	\$ 153,683	\$ 203,316
Federal sources	61,166	-	14,715	-	75,881
Total Revenues	<u>61,166</u>	<u>49,633</u>	<u>14,715</u>	<u>153,683</u>	<u>279,197</u>
Expenditures					
Purchased services	23,961	-	14,100	-	38,061
Supplies and materials	12,328	-	-	-	12,328
Payments to other governments	24,877	49,633	615	153,683	228,808
Total Expenditures	<u>61,166</u>	<u>49,633</u>	<u>14,715</u>	<u>153,683</u>	<u>279,197</u>
Net change in fund balance	-	-	-	-	-
Fund Balance, Beginning of year	-	-	-	-	-
Fund Balance, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
SAFE AND DRUG FREE SCHOOLS
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 125,000	\$ 125,000	\$ 61,166
Total Revenues	<u>125,000</u>	<u>125,000</u>	<u>61,166</u>
Expenditures			
Purchased services	35,195	35,195	23,961
Supplies and materials	10,210	10,210	12,328
Payments to other governments	78,095	78,095	24,877
Other objects	1,500	1,500	-
Total Expenditures	<u>125,000</u>	<u>125,000</u>	<u>61,166</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund Balance, Beginning of year			<u>-</u>
Fund Balance, End of year			<u>\$ -</u>

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
ROE/ISC OPERATIONS
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
State sources	\$ 49,633	\$ 49,633	\$ 49,633
Total Revenues	<u>49,633</u>	<u>49,633</u>	<u>49,633</u>
Expenditures			
Payments to other governments	49,633	49,633	49,633
Total Expenditures	<u>49,633</u>	<u>49,633</u>	<u>49,633</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund Balance, Beginning of year			<u>-</u>
Fund Balance, End of year			<u>\$ -</u>

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
TITLE II – TEACHER QUALITY – LEADERSHIP GRANT
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Federal sources	\$ 11,300	\$ 11,300	\$ 14,715
Total Revenues	<u>11,300</u>	<u>11,300</u>	<u>14,715</u>
Expenditures			
Purchased services	10,800	10,800	14,100
Payments to other governments	500	500	615
Total Expenditures	<u>11,300</u>	<u>11,300</u>	<u>14,715</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund Balance, Beginning of year			<u>-</u>
Fund Balance, End of year			<u>\$ -</u>

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
REGIONAL SAFE SCHOOLS PROGRAM
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
Revenues			
State sources	\$ 153,683	\$ 153,683	\$ 153,683
Total Revenues	<u>153,683</u>	<u>153,683</u>	<u>153,683</u>
Expenditures			
Payments to other governments	153,683	153,683	153,683
Total Expenditures	<u>153,683</u>	<u>153,683</u>	<u>153,683</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund Balance, Beginning of year			<u>-</u>
Fund Balance, End of year			<u>\$ -</u>

**McHENRY COUNTY
 REGIONAL OFFICE OF EDUCATION #44
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2014**

	<u>Transportation</u>	<u>Supervisory Expense</u>	<u>TOTALS</u>
Assets			
Cash and cash equivalents	\$ 17,940	\$ 3	\$ 17,943
Liabilities and Fund Balance			
Liabilities			
Due to other funds	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
Fund Balance			
Restricted	17,940	3	17,943
Total Fund Balance	17,940	3	17,943
Total Liabilities & Fund Balance	\$ 17,940	\$ 3	\$ 17,943

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2014**

	<u>Transportation</u>	<u>Supervisory Expense</u>	<u>Totals</u>
Revenues			
State sources	\$ 1,707	\$ -	\$ 1,707
Local sources			
School bus permit and class fees	8,472	-	8,472
Interest income	17	-	17
Total Revenues	<u>10,196</u>	<u>-</u>	<u>10,196</u>
Expenditures			
Purchased services	7,189	-	7,189
Other objects	14	-	14
Total Expenditures	<u>7,203</u>	<u>-</u>	<u>7,203</u>
Net change in fund balance	<u>2,993</u>	<u>-</u>	<u>2,993</u>
Fund Balance, Beginning of year	<u>14,947</u>	<u>3</u>	<u>14,950</u>
Fund Balance, End of year	<u>\$ 17,940</u>	<u>\$ 3</u>	<u>\$ 17,943</u>

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
COMBINING STATEMENT OF FIDUCIARY NET POSITION
ALL AGENCY FUNDS
June 30, 2014**

	Regional Board of School Trustees	Distributive Fund	McHenry County Cooperative for Employment Education	Totals
Assets				
Cash and cash equivalents	\$ 144	\$ 2,745	\$ 14,245	\$ 17,134
Due from other governments	-	-	51,132	51,132
Total Assets	<u>\$ 144</u>	<u>\$ 2,745</u>	<u>\$ 65,377</u>	<u>\$ 68,266</u>
Liabilities				
Due to other governments	\$ 144	\$ 2,745	\$ 65,377	\$ 68,266
Total Liabilities	<u>\$ 144</u>	<u>\$ 2,745</u>	<u>\$ 65,377</u>	<u>\$ 68,266</u>

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2014**

	Balance July 01, 2013	Additions	Deductions	Balance June 30, 2014
<u>REGIONAL BOARD OF SCHOOL TRUSTEES</u>				
Assets				
Cash and cash equivalents	\$ 144	\$ 1,500	\$ 1,500	\$ 144
Total Assets	<u>\$ 144</u>	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 144</u>
Liabilities				
Due to other governments	\$ 144	\$ 1,500	\$ 1,500	\$ 144
Total Liabilities	<u>\$ 144</u>	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 144</u>
<u>DISTRIBUTIVE FUND</u>				
Assets				
Cash and cash equivalents	\$ 2,730	\$ 1,215,617	\$ 1,215,602	\$ 2,745
Due from other governments	30,894	-	30,894	-
Total Assets	<u>\$ 33,624</u>	<u>\$ 1,215,617</u>	<u>\$ 1,246,496</u>	<u>\$ 2,745</u>
Liabilities				
Due to other governments	\$ 33,624	\$ 1,215,617	\$ 1,246,496	\$ 2,745
Total Liabilities	<u>\$ 33,624</u>	<u>\$ 1,215,617</u>	<u>\$ 1,246,496</u>	<u>\$ 2,745</u>
<u>MCHENRY COUNTY COOPERATIVE FOR EMPLOYMENT EDUCATION</u>				
Assets				
Cash and cash equivalents	\$ 3,438	\$ 816,316	\$ 805,509	\$ 14,245
Due from other governments	-	51,132	-	51,132
Total Assets	<u>\$ 3,438</u>	<u>\$ 867,448</u>	<u>\$ 805,509</u>	<u>\$ 65,377</u>
Liabilities				
Due to other governments	\$ 3,438	\$ 867,448	\$ 805,509	\$ 65,377
Total Liabilities	<u>\$ 3,438</u>	<u>\$ 867,448</u>	<u>\$ 805,509</u>	<u>\$ 65,377</u>
<u>TOTALS</u>				
Assets				
Cash and cash equivalents	\$ 6,312	\$ 2,033,433	\$ 2,022,611	\$ 17,134
Due from other governments	30,894	51,132	30,894	51,132
Total Assets	<u>\$ 37,206</u>	<u>\$ 2,084,565</u>	<u>\$ 2,053,505</u>	<u>\$ 68,266</u>
Liabilities				
Due to other governments	\$ 37,206	\$ 2,084,565	\$ 2,053,505	\$ 68,266
Total Liabilities	<u>\$ 37,206</u>	<u>\$ 2,084,565</u>	<u>\$ 2,053,505</u>	<u>\$ 68,266</u>

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION #44
SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHER ENTITIES
DISTRIBUTIVE FUND
For the Year Ended June 30, 2014**

	Regional Office of Education # 44	McHenry County Co-op	Total
General State Aid	\$ 141,939	\$ -	\$ 141,939
ROE/ISC Operations	53,812	-	53,812
Regional Safe Schools	154,307	-	154,307
Title II - Teacher Quality-Leadership Grant	25,000	-	25,000
CTE - Perkins - Secondary	-	330,094	330,094
Career & Technical Education Improvement	-	508,743	508,743
ROE School Bus Driver Training	1,707	-	1,707
	\$ 376,765	\$ 838,837	\$ 1,215,602