

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

**FINANCIAL AUDIT  
For the Year Ended June 30, 2016**

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

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

Regional Superintendent  
(Current and during the audit period)

Ms. Leslie Schermerhorn

Assistant Regional Superintendent  
(Current and during the audit period)

Dr. Michael Freeman

Offices are located at:

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

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
FINANCIAL REPORT SUMMARY

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

**AUDITORS' REPORTS**

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

**SUMMARY OF AUDIT FINDINGS**

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

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

**SUMMARY OF FINDINGS AND RESPONSES**

<b><u>Item No.</u></b>	<b><u>Page</u></b>	<b><u>Description</u></b>	<b><u>Finding Type</u></b>
<b>Findings (Government Auditing Standards)</b>			
2016-001	11a-11b	Controls over Financial Statement Preparation	Material Weakness
2016-002	11c	Noncompliance with Grant Requirements	Material Weakness/ Noncompliance
2016-003	11d	Improper Accounting of Grant Funds	Material Weakness
2016-004	11e-11f	Inadequate Internal Controls Procedures	Material Weakness
<b>Prior Audit Findings not Repeated (Government Auditing Standards)</b>			
2015-002	13	Inadequate Internal Controls over Grant Funding	Material Weakness
2015-003	13	Inadequate Internal Controls over Institute Funding	Material Weakness/ Noncompliance
2015-004	13	Inadequate Internal Controls Over High School Equivalency Testing Program	Material Weakness/ Noncompliance

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 August 17, 2016. Attending were Leslie Schermerhorn, Regional Superintendent; Barbara Kempster, Accounting Coordinator; and Phil Spencer, Kemper CPA Group LLP. Responses to the recommendations were provided by Leslie Schermerhorn, Regional Superintendent, on January 16, 2017.

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

The audit of the accompanying basic financial statements of the McHenry County Regional Office of Education #44 was performed by Kemper CPA Group LLP, Certified Public Accountants and Consultants.

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

## **INDEPENDENT AUDITORS' REPORT**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McHenry County Regional Office of Education #44, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the McHenry County Regional Office of Education #44's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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



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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McHenry County Regional Office of Education #44, as of June 30, 2016, 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 Others are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and Schedule of Disbursements to School District Treasurers and Others are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules of accounts, the budgetary comparison schedules, the combining fund financial statements, and Schedule of Disbursements to School District Treasurers and Others are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2017 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.

Original signature on file

*Certified Public Accountants  
and Consultants*

Mattoon, Illinois  
February 23, 2017



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

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McHenry County Regional Office of Education #44, as of and for the year ended June 30, 2016, 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 February 23, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2016-001, 2016-002, 2016-003, and 2016-004 that we consider to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the McHenry County Regional Office of Education #44's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2016-002.

## Regional Office of Education #44's Responses to Findings

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

## Purpose of this Report

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

**Original signature on file**

*Certified Public Accountants  
and Consultants*

Mattoon, Illinois  
February 23, 2017

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
SCHEDULE OF FINDINGS AND RESPONSES  
SECTION I – SUMMARY OF AUDITORS’ RESULTS  
FOR THE YEAR ENDED JUNE 30, 2016

**Financial Statements in accordance with GAAP**

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	Yes
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	Yes

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding No. 2016-001 – Controls over Financial Statement Preparation (Repeat of Finding 15-001 and 14-001)**

**Criteria/Specific Requirement:**

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

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

**Condition:**

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

- The Regional Office's financial information required numerous adjusting entries to present the financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts payable, accounts receivable, and unearned revenue and made entries to record them, not all accounts payable, accounts receivable, and unearned revenue were correctly recorded.

**Effect:**

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

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding No. 2016-001 – Controls over Financial Statement Preparation (Repeat of Finding 15-001 and 14-001) (Concluded)**

**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.

**Auditor's Recommendation:**

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

**Management's Response:**

The Regional Office of Education #44 accepts the degree of risk associated with this condition because the additional expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region.

The Regional Office of Education #44 will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring that its employees possess the knowledge required to compile the necessary GAAP-based financial statements. The organization will also research the possibility of having another accounting company prepare our financial statements independent of the auditors.

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding No. 2016-002 – Noncompliance with Grant Requirements**

**Criteria/Specific Requirement:**

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

**Condition:**

Auditors noted the following weaknesses:

- For the Regional Safe Schools, Math & Science Partnerships, Regional Safe Schools Cooperative, and ROE/ISC Operations grant programs, budgets, and final expenditure reports indicated the Regional Office expended salaries and benefits, purchased services, and supplies and materials. However, all grant funding is passed through to subrecipients and should be reported as "Payments to Other Governments".
- For the Math & Science Partnerships and Regional Safe Schools Cooperative grant programs, the 6/30/16 expenditure reports were submitted based on the budgeted grant award rather than actual expenses. Expenditures reported in the Math & Science Partnerships and Regional Safe Schools Cooperative expenditure reports when compared to the general ledger were overstated by \$58,922 and \$9,500, respectively. Therefore, \$68,422 in unexpended grant funding received should have been recorded as a due back to the grantor.

**Effect:**

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

**Cause:**

The Regional Office of Education completed its expenditure reports based on the budgeted amounts instead of actual amounts.

**Auditor's Recommendation:**

The Regional Office should ensure that grant budgets and expenditure reports are prepared using current and accurate financial data based on reports obtained from the Regional Office's accounting system. The budgets and final expenditure reports for Regional Safe School, Math & Science Partnerships, Regional Safe Schools Cooperative, and ROE/ISC Operations grants should be amended to reflect actual grant expenditures.

**Management's Response:**

For the 2016-2017 school year, Regional Office #44 has prepared grant budgets and expenditure reports to reflect actual grant expenditures. The overage expense reported in the final FY16 electronic expenditure reports for both the Math & Science Partnership grant and the Regional Safe School Cooperative program have been refunded to ISBE.



McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding No. 2016-003 – Improper Accounting of Grant Funds**

**Criteria/specific requirement:**

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

**Condition:**

ROE/ISC Operations, Regional Safe Schools Program, Rural Education Achievement Program, Mathematics and Science Partnerships, Regional Safe Schools Cooperative, and General State Aid funding, which were distributed to the Regional Office of Education #44 for its programs, were accounted for solely in the Distributive Fund.

**Effect:**

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

**Cause:**

The Regional Office of Education personnel were unaware of the requirement.

**Auditor's Recommendation:**

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

**Management's Response:**

While ROE #44 had each grant fund in separate and distinct categories in QuickBooks, ROE #44 will comply with the requirements set forth in the *ISBE Regional Office of Education Accounting Manual*.

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding No. 2016-004 – Inadequate Internal Control Procedures**

**Criteria/Specific Requirement:**

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

**Condition:**

Auditors noted the following weaknesses in the Regional Office of Education #44's internal control system:

- A. There was no documented review of the supporting documentation, for one disbursement, by the Regional Superintendent prior to the check being written.
- B. There was no documented review of the Regional Office of Education #44's general journal entries prior to being posted to the accounting system. Entries were also entered incorrectly, needing reclassified.
- C. One instance where an employee's mileage reimbursement was calculated incorrectly resulting in an overpayment of \$192.
- D. Four instances where \$34 in total sales tax was paid on purchases that were exempt from Illinois sales tax.
- E. The individual responsible for reconciling cash accounts can accept over-the-counter cash receipts.

**Effect:**

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

**Cause:**

The Regional Office of Education personnel were unaware of the requirements.

**Auditor's Recommendation:**

- A. All supporting documentation should be reviewed by the Regional Superintendent prior to payment and posting to the accounting system.
- B. All journal entries should be reviewed by the Regional Superintendent or Assistant Regional Superintendent prior to being posted to the accounting system. The review process will also help in assuring the correct accounts are entered.
- C. The Regional Office should develop policies and procedures to ensure employee reimbursements are accurate and calculated correctly.

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

**SECTION II – FINANCIAL STATEMENT FINDINGS (Concluded)**

**Finding No. 2016-004 – Inadequate Internal Control Procedures (Concluded)**

- D. The Regional Office should develop policies and procedures to ensure sales tax is not paid on exempt purchases.
- E. The Regional Office should develop policies and procedures to ensure the individual responsible for reconciling cash accounts does not accept over-the-counter cash receipts.

**Management's Response:**

ROE #44 has developed policies and procedures for the Regional Superintendent and Assistant Superintendent to ensure supporting documentation is reviewed carefully prior to payment and posting, all journal entries are reviewed prior to being posted, and employee reimbursements are accurate. ROE #44 has developed a strict office policy that all purchases should be exempt of sales tax.

Due to the size of the office (3 clerks) ROE #44 does everything possible to limit the amount of cash accepted by the individual who reconciles cash. Additionally, receipts are created for all cash received.

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

**CORRECTIVE ACTION PLAN**

**Finding No. 2016-001 – Controls over Financial Statement Preparation (Repeat of Finding 15-001 and 14-001)**

**Condition:**

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

- The Regional Office's financial information required numerous adjusting entries to present the financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts payable, accounts receivable, and unearned revenue and made entries to record them, not all accounts payable, accounts receivable, and unearned revenue were correctly recorded.

**Plan:**

The Regional Office of Education #44 will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring employees possess the knowledge required to compile the necessary GAAP based financial statements.

**Anticipated Date of Completion:**

Not Applicable

**Contact Person Responsible for Corrective Action:**

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

**CORRECTIVE ACTION PLAN (Continued)**

**Finding No. 2016-002 – Noncompliance with Grant Requirements**

**Condition:**

Auditors noted the following weaknesses:

- For the Regional Safe Schools, Math & Science Partnerships, Regional Safe Schools Cooperative, and ROE/ISC Operations grant programs, budgets, and final expenditure reports indicated the Regional Office expended salaries and benefits, purchased services, and supplies and materials. However, all grant funding is passed through to subrecipients and should be reported as “Payments to Other Governments”.
- For the Math & Science Partnerships and Regional Safe Schools Cooperative grant programs, the 6/30/16 expenditure reports were submitted based on the budgeted grant award rather than actual expenses. Expenditures reported in the Math & Science Partnerships and Regional Safe Schools Cooperative expenditure reports when compared to the general ledger were overstated by \$58,922 and \$9,500, respectively. Therefore, \$68,422 in unexpended grant funding received should have been recorded as a due back to the grantor.

**Plan:**

The Regional Office will ensure that grant budgets and expenditure reports are prepared using current and accurate financial data based on reports obtained from the Regional Office’s accounting system. The budgets and final expenditure reports for Regional Safe School, Math & Science Partnerships, Regional Safe Schools Cooperative, and ROE/ISC Operations grants should be amended to reflect actual grant expenditures.

**Anticipated Date of Completion:**

June 30, 2017

**Contact Person Responsible for Corrective Action:**

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

**CORRECTIVE ACTION PLAN (Continued)**

**Finding No. 2016-003 – Improper Accounting of Grant Funds**

**Condition:**

ROE/ISC Operations, Regional Safe Schools Program, Rural Education Achievement Program, Mathematics and Science Partnerships, Regional Safe Schools Cooperative, and General State Aid funding, which were distributed to the Regional Office of Education #44 for its programs, were accounted for solely in the Distributive Fund.

**Plan:**

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

**Anticipated Date of Completion:**

June 30, 2017

**Contact Person Responsible for Corrective Action:**

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

**CORRECTIVE ACTION PLAN (Concluded)**

**Finding No. 2016-004 – Inadequate Internal Control Procedures**

**Condition:**

Auditors noted the following weaknesses in the Regional Office of Education #44's internal control system:

- A. There was no documented review of the supporting documentation, for one disbursement, by the Regional Superintendent prior to the check being written.
- B. There was no documented review of the Regional Office of Education #44's general journal entries prior to being posted to the accounting system. Entries were also entered incorrectly, needing reclassified.
- C. One instance where an employee's mileage reimbursement was calculated incorrectly resulting in an overpayment of \$192.
- D. Four instances where \$34 in total sales tax was paid on purchases that were exempt from Illinois sales tax.
- E. The individual responsible for reconciling cash accounts can accept over-the-counter cash receipts.

**Plan:**

- A. All supporting documentation will be reviewed by the Regional Superintendent prior to payment and posting to the accounting system.
- B. All journal entries will be reviewed by the Regional Superintendent or Assistant Regional Superintendent prior to being posted to the accounting system to assure that the correct account are entered.
- C. The Regional Office will develop policies and procedures to ensure employee reimbursements are accurate and calculated correctly.
- D. The Regional Office will develop policies and procedures to ensure sales tax is not paid on exempt purchases.
- E. The Regional Office will develop policies and procedures to ensure the individual responsible for reconciling cash accounts does not accept over-the-counter cash receipts.

**Anticipated Date of Completion:**

June 30, 2017

**Contact Person Responsible for Corrective Action:**

Honorable Leslie Schermerhorn, Regional Superintendent of Schools

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

<b><u>Finding No.</u></b>	<b><u>Condition</u></b>	<b><u>Current Status</u></b>
2015-001	Controls over Financial Statement Preparation	Repeated
2015-002	Inadequate Internal Controls over Grant Funding	Not Repeated
2015-003	Inadequate Internal Controls over Institute Funding	Not Repeated
2015-004	Inadequate Internal Controls over High School Equivalency Testing Program	Not Repeated



## MANAGEMENT'S DISCUSSION AND ANALYSIS

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016

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 2016 that ended on June 30, 2016. Readers are encouraged to consider this information in conjunction with the Regional Office's financial statements that follow.

#### 2016 Financial Highlights

- Within the Governmental Funds, the General Fund revenues increased by \$71,239 from \$662,189 in fiscal year 2015 to \$733,428 in fiscal year 2016. General Fund expenditures increased by \$74,239 from \$666,262 in fiscal year 2015 to \$740,501 in fiscal year 2016. The majority of the revenue and expenditure increase is due to increases in State and local on-behalf payments received by the Regional Office.
- Within the Governmental Funds, the Special Revenue Fund revenue increased by \$443,072 from \$564,956 in fiscal year 2015 to \$1,008,028 in fiscal year 2016. The Special Revenue Fund expenditures increased by \$473,437 from \$532,280 in fiscal year 2015 to \$1,005,717 in fiscal year 2016. Significant increases in the Federal sources is a major factor in the net increase of both revenue and expense for 2016.

#### 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, 2016

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

**The Statement of Net Position and the Statement of Activities**

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

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

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

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

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

The Office has three kinds of funds:

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

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

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

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016

**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 2016 totaled \$484,579. At the end of fiscal year 2015, the net position was \$484,923. 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, 2016 and 2015, for the governmental and business–type activities.

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016

**CONDENSED STATEMENT OF NET POSITION**  
**June 30, 2016 and 2015**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Assets</b>						
Current assets	\$ 812,925	\$ 484,158	\$ 47,299	\$ 52,328	\$ 860,224	\$ 536,486
Capital assets, being depreciated, net	<u>113</u>	<u>338</u>	<u>-</u>	<u>-</u>	<u>113</u>	<u>338</u>
Total Assets	<u>813,038</u>	<u>484,496</u>	<u>47,299</u>	<u>52,328</u>	<u>860,337</u>	<u>536,824</u>
<b>Current Liabilities</b>						
Total Liabilities	<u>363,854</u>	<u>35,449</u>	<u>11,904</u>	<u>16,452</u>	<u>375,758</u>	<u>51,901</u>
<b>Net Position:</b>						
Net investment in capital assets	113	338	-	-	113	338
Unrestricted	2,313	11,224	35,395	35,876	37,708	47,100
Restricted - other	<u>446,758</u>	<u>437,485</u>	<u>-</u>	<u>-</u>	<u>446,758</u>	<u>437,485</u>
Total Net Position	<u>\$ 449,184</u>	<u>\$ 449,047</u>	<u>\$ 35,395</u>	<u>\$ 35,876</u>	<u>\$ 484,579</u>	<u>\$ 484,923</u>

The Regional Office of Education's net position decreased by \$344 from fiscal year 2015 to fiscal year 2016.

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016

The following analysis shows the changes in net position for the years ended June 30, 2016 and 2015.

**CHANGES IN NET POSITION**  
**For the Years Ended June 30, 2016 and 2015**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues						
Charges for services	\$ -	\$ -	\$ 88,695	\$ 101,745	\$ 88,695	\$ 101,745
Operating grants	650,363	393,986	-	-	650,363	393,986
General Revenues						
Local sources	117,206	139,761	-	-	117,206	139,761
State sources	161,865	131,734	-	-	161,865	131,734
Federal sources	210,950	19,872	-	-	210,950	19,872
Interest income	501	388	58	70	559	458
On-behalf payments - Local	351,628	224,308	-	-	351,628	224,308
On-behalf payments - State	248,943	317,096	-	-	248,943	317,096
Transfers	5,124	17,015	(5,124)	(17,015)	-	-
Total revenues	<u>1,746,580</u>	<u>1,244,160</u>	<u>83,629</u>	<u>84,800</u>	<u>1,830,209</u>	<u>1,328,960</u>
Expenses:						
Program expenses						
Purchased services	126,906	190,088	80,105	92,394	207,011	282,482
Supplies and materials	3,721	18,940	-	3	3,721	18,943
Payment to other governments	1,013,209	443,825	-	-	1,013,209	443,825
Depreciation expense	225	304	-	-	225	304
Other objects	1,811	4,285	4,005	5,100	5,816	9,385
Administration expenses						
On-behalf payments - Local	351,628	224,308	-	-	351,628	224,308
On-behalf payments - State	248,943	317,096	-	-	248,943	317,096
Total expenses	<u>1,746,443</u>	<u>1,198,846</u>	<u>84,110</u>	<u>97,497</u>	<u>1,830,553</u>	<u>1,296,343</u>
Changes in net position	137	45,314	(481)	(12,697)	(344)	32,617
Net position beginning of year	449,047	403,733	35,876	48,573	484,923	452,306
Net position end of year	<u>\$ 449,184</u>	<u>\$ 449,047</u>	<u>\$ 35,395</u>	<u>\$ 35,876</u>	<u>\$ 484,579</u>	<u>\$ 484,923</u>

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016

**Governmental Activities**

Revenues for governmental activities were \$1,746,580 and expenses were \$1,746,443 for the year ended June 30, 2016. Revenues for governmental activities were \$1,244,160 and expenses were \$1,198,846 for the year ended June 30, 2015. Revenue and expenditures increased due to an increase in both State and local on behalf payments. These increases are also due to new federal grants awarded in the year ended June 30, 2016.

**Business-type Activities**

Revenues for business-type activities were \$88,695 and expenses were \$84,110 for the year ended June 30, 2016. Revenues for business-type activities were \$101,745 and expenses were \$97,497 for the year ended June 30, 2015. The decrease in revenue and expenses is due primarily to a decreased number of background checks performed within FY2016.

**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 \$449,071 at June 30, 2016 compared to fiscal year 2015's ending fund balance of \$448,709. Fund balances increased in the current year due to increases in funding as previously described.

**Budgetary Highlights**

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

**Capital Assets**

Capital assets of the Regional Office of Education #44 include office equipment. The Regional Office of Education #44 maintains an inventory of capital assets that have been accumulated over time. During the year ended June 30, 2016, Regional Office of Education #44 purchased no new assets and did not dispose any assets, resulting in an ending balance of \$113. 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, 2016

**Economic Factors and Next Year's Budget**

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

- The State FY16 ROE/ISC funding was in limbo for the FY16 year however there was a full payout of FY16 grant awards in August. The allocation for FY16 was \$120,070 but given the uncertainty of the funds being made available, ROE #44 underspent by \$38,997. The ROE has issued ISBE a refund for that amount. The ROE/ISC grant for FY17 has been awarded in the amount of \$168,113, an increase of \$48,043 over FY16.
- Both revenue and expenses for Business-Type Activities could decrease now that some school districts are providing background services themselves.
- Federal funding has decreased for the Title II program. FY17 funding is likely to be less than prior years despite the new requirement of renewal classes.
- ROE #44 was awarded a Pilot Grant for RSSP (Regional Safe School Cooperative) – Career and College Readiness for FY16 and FY17. ROE #44 did not spend the entire \$43,480 allotted in FY16. This was due to the late start date of the program and the time it took to start a new program. ROE #44 has refunded Illinois State Board of Education \$9,500. The FY17 allocation for the Regional Safe School Cooperative is \$44,886.
- Regional Safe Schools grant allocation remains steady for FY17 at \$157,019, a \$1,124 decrease from FY16.
- General State Aid allotment remains the same.
- FY17 Bus Driving Training allotment has decreased by \$182 from FY16.

**Contacting the Regional Office's Financial Management**

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



## BASIC FINANCIAL STATEMENTS

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 448,419	\$ 38,234	\$ 486,653
Accounts receivable	1,000	9,065	10,065
Due from other governments:			
Federal	126,564	-	126,564
State	168,520	-	168,520
Local	68,422		68,422
Total current assets	812,925	47,299	860,224
<b>NONCURRENT ASSETS</b>			
Capital assets, net of depreciation	113	-	113
Total noncurrent assets	113	-	113
<b>TOTAL ASSETS</b>	<b>813,038</b>	<b>47,299</b>	<b>860,337</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	2,401	10,551	12,952
Due to other governments:			
Federal	58,922		58,922
State	9,500	-	9,500
Local	293,031	-	293,031
Unearned revenue	-	1,353	1,353
<b>TOTAL LIABILITIES</b>	<b>363,854</b>	<b>11,904</b>	<b>375,758</b>
<b>NET POSITION</b>			
Investment in capital assets	113	-	113
Restricted	446,758	-	446,758
Unrestricted	2,313	35,395	37,708
<b>TOTAL NET POSITION</b>	<b>\$ 449,184</b>	<b>\$ 35,395</b>	<b>\$ 484,579</b>

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, 2016

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instructional Services:						
Purchased services	\$ 126,906	\$ -	\$ 9,969	\$ (116,937)	\$ -	\$ (116,937)
Supplies and materials	3,721	-	-	(3,721)	-	(3,721)
Other objects	1,811	-	-	(1,811)	-	(1,811)
Depreciation	225	-	-	(225)	-	(225)
Payments to other governments	1,013,209	-	640,394	(372,815)	-	(372,815)
Administrative:						
On-behalf payments - State	248,943	-	-	(248,943)	-	(248,943)
On-behalf payments - Local	351,628	-	-	(351,628)	-	(351,628)
Total Governmental Activities	<u>1,746,443</u>	<u>-</u>	<u>650,363</u>	<u>(1,096,080)</u>	<u>-</u>	<u>(1,096,080)</u>
Business-type Activities:						
Fingerprinting fees	84,110	88,695	-	-	4,585	4,585
Total Business-type Activities	<u>84,110</u>	<u>88,695</u>	<u>-</u>	<u>-</u>	<u>4,585</u>	<u>4,585</u>
Total Primary Government	<u>\$ 1,830,553</u>	<u>\$ 88,695</u>	<u>\$ 650,363</u>	<u>(1,096,080)</u>	<u>4,585</u>	<u>(1,091,495)</u>
General Revenues:						
Local sources				117,206	-	117,206
State sources				161,865	-	161,865
Federal sources				210,950	-	210,950
On-behalf payments - Local				351,628	-	351,628
On-behalf payments - State				248,943	-	248,943
Interest income				501	58	559
Transfers				5,124	(5,124)	-
Total General Revenues				<u>1,096,217</u>	<u>(5,066)</u>	<u>1,091,151</u>
Change in net position				137	(481)	(344)
Net Position - beginning				<u>449,047</u>	<u>35,876</u>	<u>484,923</u>
Net Position - ending				<u>\$ 449,184</u>	<u>\$ 35,395</u>	<u>\$ 484,579</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, 2016

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,313	\$ -	\$ 385,565	\$ 61,541	\$ 448,419
Accounts receivable	1,000	-	-	-	1,000
Due from other governments:					
Federal	-	126,564	-	-	126,564
State	-	166,467	-	2,053	168,520
Local	-	68,422	-	-	68,422
Total assets	<u>\$ 2,313</u>	<u>\$ 361,453</u>	<u>\$ 385,565</u>	<u>\$ 63,594</u>	<u>\$ 812,925</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 2,401	\$ 2,401
Due to other governments:					
Federal	-	58,922	-	-	58,922
State	-	9,500	-	-	9,500
Local	-	293,031	-	-	293,031
Total liabilities	<u>-</u>	<u>361,453</u>	<u>-</u>	<u>2,401</u>	<u>363,854</u>
<b>FUND BALANCE</b>					
Restricted	-	-	385,565	61,193	446,758
Unassigned	2,313	-	-	-	2,313
Total fund balance	<u>2,313</u>	<u>-</u>	<u>385,565</u>	<u>61,193</u>	<u>449,071</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 2,313</u>	<u>\$ 361,453</u>	<u>\$ 385,565</u>	<u>\$ 63,594</u>	<u>\$ 812,925</u>

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

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$ 449,071
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Amounts reported for governmental activities in the  
Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>113</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 449,184</u></u>
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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, 2016

	General Fund	Education Fund	Institute Fund	NonMajor Special Revenue Funds	Eliminations	Total Governmenta Funds
<b>REVENUES</b>						
State sources	\$ 127,885	\$ 312,193	\$ -	\$ 2,053	\$ -	\$ 442,131
Federal sources	-	581,047	-	-	-	581,047
Local sources	4,964	-	101,435	10,807	-	117,206
On-behalf payments - State	248,943	-	-	-	-	248,943
On-behalf payments - Local	351,628	-	-	-	-	351,628
Interest income	8	-	441	52	-	501
Total revenues	<u>733,428</u>	<u>893,240</u>	<u>101,876</u>	<u>12,912</u>	<u>-</u>	<u>1,741,456</u>
<b>EXPENDITURES</b>						
Instructional Services:						
Purchased services	8,248	7,916	102,675	8,067	-	126,906
Supplies and materials	1,986	-	622	1,113	-	3,721
Other objects	1,811	-	-	-	-	1,811
Payments to other governments	127,885	885,324	-	-	-	1,013,209
On-behalf payments - State	248,943	-	-	-	-	248,943
On-behalf payments - Local	351,628	-	-	-	-	351,628
Total expenditures	<u>740,501</u>	<u>893,240</u>	<u>103,297</u>	<u>9,180</u>	<u>-</u>	<u>1,746,218</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>						
	<u>(7,073)</u>	<u>-</u>	<u>(1,421)</u>	<u>3,732</u>	<u>-</u>	<u>(4,762)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	1,838	5,124	(1,838)	5,124
Transfer out	(1,838)	-	-	-	1,838	-
Total other financing sources (uses)	<u>(1,838)</u>	<u>-</u>	<u>1,838</u>	<u>5,124</u>	<u>-</u>	<u>5,124</u>
<b>NET CHANGE IN FUND BALANCE</b>						
	(8,911)	-	417	8,856	-	362
<b>FUND BALANCE - BEGINNING</b>						
	<u>11,224</u>	<u>-</u>	<u>385,148</u>	<u>52,337</u>	<u>-</u>	<u>448,709</u>
<b>FUND BALANCE - ENDING</b>						
	<u>\$ 2,313</u>	<u>\$ -</u>	<u>\$ 385,565</u>	<u>\$ 61,193</u>	<u>\$ -</u>	<u>\$ 449,071</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, 2016

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS	\$	362
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Depreciation expense		(225)
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	137
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The notes to the financial statements are an integral part of this statement.

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016

	Business-type Activities <u>Enterprise Fund</u>
	<u>Fingerprinting Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 38,234
Accounts receivable	9,065
TOTAL ASSETS	<u>47,299</u>
<b>LIABILITIES</b>	
Accounts payable	10,551
Unearned revenue	1,353
TOTAL LIABILITIES	<u>11,904</u>
<b>NET POSITION</b>	
Unrestricted	<u>35,395</u>
TOTAL NET POSITION	<u><u>\$ 35,395</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, 2016

	<u>Business-type Activities Enterprise Fund</u>	<u>Fingerprinting Fund</u>
OPERATING REVENUES		
Charges for services	\$ 88,695	
Total operating revenues	<u>88,695</u>	
OPERATING EXPENSES		
Purchased services	80,105	
Other objects	4,005	
Total operating expenses	<u>84,110</u>	
OPERATING INCOME	<u>4,585</u>	
OTHER FINANCING SOURCES (USES)		
Transfers out	(5,124)	
Interest income	58	
Total other financing sources (uses)	<u>(5,066)</u>	
CHANGE IN NET POSITION	(481)	
TOTAL NET POSITION - BEGINNING	<u>35,876</u>	
TOTAL NET POSITION - ENDING	<u>\$ 35,395</u>	

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

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities <u>Enterprise Fund</u> <u>Fingerprinting</u>
Cash Flows from Operating Activities:	
Receipts from customers	\$ 85,845
Payments to suppliers and providers of goods and services	<u>(84,039)</u>
Net cash provided by operating activities	<u>1,806</u>
Cash Flows from Noncapital Financing Activities:	
Cash transfer to other funds	(5,124)
Payments for interfund borrowing, net	<u>5,000</u>
Net cash used for noncapital financing activities	<u>(124)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>58</u>
Net cash provided by investing activities	<u>58</u>
Net increase in cash and cash equivalents	1,740
Cash and cash equivalents - Beginning of year	<u>36,494</u>
Cash and cash equivalents - End of year	<u><u>\$ 38,234</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 4,585
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	1,769
Decrease in unearned revenue	(4,619)
Increase in accounts payable	<u>71</u>
Net cash provided by operating activities	<u><u>\$ 1,806</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, 2016

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,116
Due from other governments	<u>237,036</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 241,152</u></u>
<b>LIABILITIES</b>	
Due to other governments	<u>\$ 241,152</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 241,152</u></u>

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

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In 2016, the Regional Office of Education #44 implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments – supersedes GASB Statement No. 55*. The Regional Office of Education #44 implemented these standards during the current year. The implementation of GASB Statement No. 72 establishes guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments and disclosures. The implementation of GASB Statement No. 73 establishes required enhancements to financial statement disclosures by establishing a single framework for the presentation of information about pensions. The implementation of GASB Statement No. 76 prioritizes the guidance state and local governments follow when preparing financial statements in accordance with *generally accepted accounting principles*.

A. DATE OF MANAGEMENT’S REVIEW

The McHenry County Regional Office of Education #44 has evaluated subsequent events through February 23, 2017, the date which the financial statements were available to be issued.

B. FINANCIAL REPORTING ENTITY

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

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

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FINANCIAL REPORTING ENTITY (Concluded)

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

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

For the period ended June 30, 2016, the McHenry County Regional Office of Education #44 applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in McHenry County Regional Office of Education #44.

C. SCOPE OF THE REPORTING ENTITY

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

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

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

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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. In the Statement of Activities, activities between governmental funds have been eliminated; however, transactions between governmental and business-type activities have not been eliminated.

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

E. 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.

F. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (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 a specific purpose or project before any amounts will be paid to the Regional Office of Education #44; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually recoverable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

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

G. FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

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

As prescribed by GASB Statement No. 34, governmental fund reporting focuses on the major funds, rather than on the fund type. There is a two-step process for determining if a fund should be reported as a major fund: (1) total assets (including deferred outflows), liabilities (including deferred inflows), revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for the fund type, and (2) total assets (including deferred outflows), liabilities (including deferred inflows), revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for 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 Regional Office of Education #44 has presented all major funds that met the above qualifications.



McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

The 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.

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.

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Concluded)

Education Fund (Concluded)

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

Mathematics and Science Partnerships – This program accounts for monies received for and in payment of expenditures to help teachers and students across central Illinois meet the expectations of the New Illinois Learning Standards for Math and Science.

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

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

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

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

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

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

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. FUND ACCOUNTING (Concluded)

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

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

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

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

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

H. GOVERNMENTAL FUND BALANCES

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

Nonspendable Fund Balance – The portion of a governmental fund's net position that is not available to be spent, either short term or long term, due to either their form or legal restrictions. There are no funds presenting a nonspendable fund balance.

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. GOVERNMENTAL FUND BALANCES (Concluded)

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

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

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

Unassigned Fund Balance – Available expendable financial resources in a governmental fund that are not designated for a specific purpose. The following fund has an unassigned fund balance: General Fund.

I. NET POSITION

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

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

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

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

J. 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, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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.

L. 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.

M. BUDGET INFORMATION

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

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

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

N. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

A. DEPOSITS

At June 30, 2016, the carrying amount of the McHenry County Regional Office of Education #44's government-wide and agency deposits were \$486,653 and \$4,116, respectively. The government-wide and agency bank balances were \$488,221 and \$28,416, respectively. Of the total bank balances as of June 30, 2016, \$255,000 was secured by federal depository insurance, \$3,280 was invested in Illinois Funds Money Market Fund and \$258,357 was collateralized by securities pledged by the McHenry County Regional Office of Education #44's financial institution in the name of the Regional Office.

CUSTODIAL CREDIT RISK

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

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (Concluded)

B. INVESTMENTS

The Regional Office of Education #44's investment policy requires that funds should be invested solely in investments authorized by 30 ILCS 235/2 and 6 and 105 ILCS 5/8-7. As of June 30, 2016, the Regional Office of Education #44 had investments with carrying and fair values of \$3,280 invested in the Illinois Funds Money Market Fund.

CREDIT RISK

At June 30, 2016, 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, 2016, all the investments have investment maturities of less than one year.

CONCENTRATION OF CREDIT RISK

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

NOTE 3 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the McHenry County Regional Office of Education #44 has reported capital assets in the government-wide Statement of Net position. Purchases are reported as capital outlay in the governmental fund statements. Purchases of capital assets for business-type activities are capitalized when purchased. The following table provides a summary of changes in capital assets, accumulated depreciation, and investment in capital assets for the year ended June 30, 2016:

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 3 – CAPITAL ASSETS (Concluded)

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities:				
<u>Education Fund</u>				
Equipment	\$ 10,176	\$ -	\$ -	\$ 10,176
Governmental Activities Total Assets	10,176	-	-	10,176
Less Accumulated Depreciation				
Equipment	(9,838)	(225)	-	(10,063)
Total Accumulated Depreciation	(9,838)	(225)	-	(10,063)
Governmental Activities				
Investment in Capital Assets, Net	\$ 338	\$ (225)	\$ -	\$ 113

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, 2016 of \$225 was charged to the governmental activities, instructional services on the government-wide Statement of Activities. Investment in capital assets is the component of net position that reports capital assets net of accumulated depreciation.

NOTE 4 – PENSION PLANS

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

NOTE 5 – INTERFUND ACTIVITY

TRANSFERS

Interfund transfers in/out to other fund balances at June 30, 2016 consist of the following individual transfers in/out to other funds in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Assets. The transfer balances between governmental funds were eliminated in the government-wide Statement of Activities.

	Transfer In	Transfer Out
General Fund	\$ -	\$ 1,838
Institute Fund	1,838	-
General Education Development	5,124	-
Fingerprinting	-	5,124
	\$ 6,962	\$ 6,962



McHENRY COUNTY  
 REGIONAL OFFICE OF EDUCATION #44  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

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.

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	\$ 112,008
Assistant Regional Superintendent Salary	100,812
Regional Superintendent Benefits (includes State-paid insurance)	29,790
Assistant Regional Superintendent Benefits (includes State-paid insurance)	<u>6,333</u>
Total	<u>\$ 248,943</u>

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

McHenry County provides the Regional Office with staff and pay certain expenditures on behalf of the Regional Office. The expenditures paid on the Regional Office of Education #44's behalf for the year ended June 30, 2016, were as follows:

Salaries and benefits	\$ 315,318
Value of building space	<u>36,310</u>
Total	<u>\$ 351,628</u>

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

NOTE 8 – DUE TO/FROM OTHER GOVERNMENTS

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

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 8 – DUE TO/FROM OTHER GOVERNMENTS (Concluded)

Due from Other Governments:

Education Fund

Illinois State Board of Education	\$ 293,031
Local Governments	68,422

Nonmajor Special Revenue Fund

Illinois State Board of Education	2,053
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Fiduciary Fund

Illinois State Board of Education	237,036
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Total Due from Other Governments	<u>\$ 600,542</u>
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Due to Other Governments:

Education Fund

Illinois State Board of Education	\$ 68,422
Local Governments	293,031

Fiduciary Fund

Local Governments	241,152
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	<u>\$ 602,605</u>
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OTHER SUPPLEMENTARY INFORMATION

McHENRY COUNTY  
 REGIONAL OFFICE OF EDUCATION #44  
 COMBINING SCHEDULE OF ACCOUNTS  
 GENERAL FUND  
 JUNE 30, 2016

	<u>General Fund</u>	<u>Regional Safe Schools Program - General State Aid</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,313	\$ -	\$ 1,313
Accounts receivable	1,000	-	1,000
TOTAL ASSETS	<u>\$ 2,313</u>	<u>-</u>	<u>\$ 2,313</u>
<b>FUND BALANCE</b>			
Unassigned	\$ 2,313	\$ -	\$ 2,313
TOTAL FUND BALANCE	<u>2,313</u>	<u>-</u>	<u>2,313</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,313</u>	<u>\$ -</u>	<u>\$ 2,313</u>

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GENERAL FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Regional Safe Schools Program - General State Aid	Totals
<b>REVENUES</b>			
State sources	\$ -	\$ 127,885	\$ 127,885
Local sources	4,964	-	4,964
On-behalf payments - State	248,943	-	248,943
On-behalf payments - Local	351,628	-	351,628
Interest income	8	-	8
Total Revenues	<u>605,543</u>	<u>127,885</u>	<u>733,428</u>
<b>EXPENDITURES</b>			
Purchased services	8,248	-	8,248
Supplies and materials	1,986	-	1,986
Payments to other governments	-	127,885	127,885
Other objects	1,811	-	1,811
On-behalf expenditures - State	248,943	-	248,943
On-behalf expenditures - Local	351,628	-	351,628
Total Expenditures	<u>612,616</u>	<u>127,885</u>	<u>740,501</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>			
	<u>(7,073)</u>	<u>-</u>	<u>(7,073)</u>
<b>OTHER FINANCING USES</b>			
Transfers out	<u>(1,838)</u>	<u>-</u>	<u>(1,838)</u>
Total Other Financing Uses	<u>(1,838)</u>	<u>-</u>	<u>(1,838)</u>
<b>NET CHANGE IN FUND BALANCE</b>			
	<u>(8,911)</u>	<u>-</u>	<u>(8,911)</u>
<b>FUND BALANCE - BEGINNING</b>			
	<u>11,224</u>	<u>-</u>	<u>11,224</u>
<b>FUND BALANCE - ENDING</b>			
	<u>\$ 2,313</u>	<u>\$ -</u>	<u>\$ 2,313</u>

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
COMBINING SCHEDULE OF ACCOUNTS  
EDUCATION FUND  
JUNE 30, 2016

	Safe and Drug Free Schools	ROE/ISC Operations	Title II - Teacher Quality - Leadership Grant	Regional Safe Schools Program	Rural Education Achievement Program	Mathematics and Science Partnerships	Regional Safe Schools Cooperative	Totals
<b>ASSETS</b>								
Due from other governments								
Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,564	\$ -	\$ 126,564
State	-	120,070	-	26,363	19,872	-	162	166,467
Local	-	-	-	-	-	58,922	9,500	68,422
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 120,070</b>	<b>\$ -</b>	<b>\$ 26,363</b>	<b>\$ 19,872</b>	<b>\$ 185,486</b>	<b>\$ 9,662</b>	<b>\$ 361,453</b>
<b>LIABILITIES</b>								
Due to other governments								
Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,922	\$ -	\$ 58,922
State	-	-	-	-	-	-	9,500	9,500
Local	-	120,070	-	26,363	19,872	126,564	162	293,031
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>120,070</b>	<b>-</b>	<b>26,363</b>	<b>19,872</b>	<b>185,486</b>	<b>9,662</b>	<b>361,453</b>
<b>FUND BALANCE</b>								
Restricted	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 120,070</b>	<b>\$ -</b>	<b>\$ 26,363</b>	<b>\$ 19,872</b>	<b>\$ 185,486</b>	<b>\$ 9,662</b>	<b>\$ 361,453</b>

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
EDUCATION FUND ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2016

	Safe and Drug Free Schools	ROE/ISC Operations	Title II - Teacher Quality - Leadership Grant	Regional Safe Schools Program	Rural Education Achievement Program	Mathematics and Science Partnerships	Regional Safe Schools Cooperative	Totals
<b>REVENUES</b>								
State sources	\$ -	\$ 120,070	\$ -	\$ 158,143	\$ -	\$ -	\$ 33,980	\$ 312,193
Federal sources	112,596	-	7,916	-	19,872	440,663	-	581,047
Total Revenues	<u>112,596</u>	<u>120,070</u>	<u>7,916</u>	<u>158,143</u>	<u>19,872</u>	<u>440,663</u>	<u>33,980</u>	<u>893,240</u>
<b>EXPENDITURES</b>								
Purchased services	-	-	7,916	-	-	-	-	7,916
Payments to other governments	112,596	120,070	-	158,143	19,872	440,663	33,980	885,324
Total Expenditures	<u>112,596</u>	<u>120,070</u>	<u>7,916</u>	<u>158,143</u>	<u>19,872</u>	<u>440,663</u>	<u>33,980</u>	<u>893,240</u>
NET CHANGE IN FUND BALANCE	-	-	-	-	-	-	-	-
FUND BALANCE - BEGINNING	-	-	-	-	-	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

McHENRY COUNTY  
 REGIONAL OFFICE OF EDUCATION #44  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNT  
 ROE/ISC OPERATIONS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 119,950	\$ 120,070	\$ 120,070
Total Revenues	<u>119,950</u>	<u>120,070</u>	<u>120,070</u>
EXPENDITURES			
Salaries and benefits	94,313	94,313	-
Purchased services	24,750	24,750	-
Supplies and materials	887	1,007	-
Payments to other governments	-	-	120,070
Total Expenditures	<u>119,950</u>	<u>120,070</u>	<u>120,070</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



McHENRY COUNTY  
 REGIONAL OFFICE OF EDUCATION #44  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNT  
 TITLE II - TEACHER QUALITY - LEADERSHIP GRANT  
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 8,016	\$ 8,016	\$ 7,916
Total Revenues	<u>8,016</u>	<u>8,016</u>	<u>7,916</u>
EXPENDITURES			
Salaries and benefits	416	416	-
Purchased services	7,600	7,600	7,916
Total Expenditures	<u>8,016</u>	<u>8,016</u>	<u>7,916</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNT  
REGIONAL SAFE SCHOOLS PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 158,143	\$ 158,143	\$ 158,143
Total Revenues	<u>158,143</u>	<u>158,143</u>	<u>158,143</u>
EXPENDITURES			
Salaries and benefits	158,143	158,143	-
Payments to other governments	-	-	158,143
Total Expenditures	<u>158,143</u>	<u>158,143</u>	<u>158,143</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

McHENRY COUNTY  
 REGIONAL OFFICE OF EDUCATION #44  
 BUDGETARY COMPARISON SCHEDULE  
 EDUCATION FUND ACCOUNT  
 MATHEMATICS AND SCIENCE PARTNERSHIPS (2015-4936-SA)  
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 249,585	\$ 249,585	\$ 249,585
Total Revenues	<u>249,585</u>	<u>249,585</u>	<u>249,585</u>
EXPENDITURES			
Payments to other governments	249,585	249,585	249,585
Total Expenditures	<u>249,585</u>	<u>249,585</u>	<u>249,585</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNT  
MATHEMATICS AND SCIENCE PARTNERSHIPS (2016-4936-SA)  
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
Federal sources	\$ 250,000	\$ 250,000	\$ 191,078
Total Revenues	<u>250,000</u>	<u>250,000</u>	<u>191,078</u>
EXPENDITURES			
Salaries and benefits	117,048	161,879	-
Purchased services	103,788	79,457	-
Supplies and materials	2,664	8,664	-
Payments to other governments	26,500	-	191,078
Total Expenditures	<u>250,000</u>	<u>250,000</u>	<u>191,078</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
BUDGETARY COMPARISON SCHEDULE  
EDUCATION FUND ACCOUNT  
REGIONAL SAFE SCHOOLS COOPERATIVE  
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUE			
State sources	\$ 43,480	\$ 43,480	\$ 33,980
Total Revenues	<u>43,480</u>	<u>43,480</u>	<u>33,980</u>
EXPENDITURES			
Salaries and benefits	19,380	19,380	-
Purchased services	22,100	22,100	-
Supplies and materials	2,000	2,000	-
Other objects	-	-	-
Payments to other governments	-	-	33,980
Total Expenditures	<u>43,480</u>	<u>43,480</u>	<u>33,980</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2016

	General Educational Development	Transportation	Supervisory Expense	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 50,910	\$ 10,628	\$ 3	\$ 61,541
Due from other governments	-	2,053	-	2,053
<b>TOTAL ASSETS</b>	<b>\$ 50,910</b>	<b>\$ 12,681</b>	<b>\$ 3</b>	<b>\$ 63,594</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 913	\$ 1,488	\$ -	\$ 2,401
<b>TOTAL LIABILITIES</b>	<b>913</b>	<b>1,488</b>	<b>-</b>	<b>2,401</b>
<b>FUND BALANCE</b>				
Restricted	49,997	11,193	3	61,193
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 50,910</b>	<b>\$ 12,681</b>	<b>\$ 3</b>	<b>\$ 63,594</b>

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, 2016

	General Educational Development	Transportation	Supervisory Expense	Totals
REVENUES				
State sources	\$ -	\$ 2,053	\$ -	\$ 2,053
Local sources	2,357	8,450	-	10,807
Interest income	43	9	-	52
Total Revenues	<u>2,400</u>	<u>10,512</u>	<u>-</u>	<u>12,912</u>
EXPENDITURES				
Purchased services	-	8,067	-	8,067
Supplies and materials	913	200	-	1,113
Total Expenditures	<u>913</u>	<u>8,267</u>	<u>-</u>	<u>9,180</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,487</u>	<u>2,245</u>	<u>-</u>	<u>3,732</u>
OTHER FINANCING SOURCES				
Transfer in	<u>5,124</u>	<u>-</u>	<u>-</u>	<u>5,124</u>
Total Other Financing Sources	<u>5,124</u>	<u>-</u>	<u>-</u>	<u>5,124</u>
NET CHANGE IN FUND BALANCE	<u>6,611</u>	<u>2,245</u>	<u>-</u>	<u>8,856</u>
FUND BALANCE - BEGINNING	<u>43,386</u>	<u>8,948</u>	<u>3</u>	<u>52,337</u>
FUND BALANCE - ENDING	<u>\$ 49,997</u>	<u>\$ 11,193</u>	<u>\$ 3</u>	<u>\$ 61,193</u>

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION #44  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
JUNE 30, 2016

	Regional Board of School Trustees	Distributive Fund	McHenry County Cooperative for Employment Education	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 1,297	\$ 2,819	\$ -	\$ 4,116
Due from other governments	-	237,036	-	237,036
<b>Total Assets</b>	<b>\$ 1,297</b>	<b>\$ 239,855</b>	<b>\$ -</b>	<b>\$ 241,152</b>
<b>Liabilities</b>				
Due to other governments	\$ 1,297	\$ 239,855	\$ -	\$ 241,152
<b>Total Liabilities</b>	<b>\$ 1,297</b>	<b>\$ 239,855</b>	<b>\$ -</b>	<b>\$ 241,152</b>



McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016
<u><i>REGIONAL BOARD OF SCHOOL TRUSTEES</i></u>				
Assets				
Cash and cash equivalents	\$ 1,296	\$ 1	\$ -	\$ 1,297
Total Assets	<u>\$ 1,296</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1,297</u>
Liabilities				
Due to other governments	\$ 1,296	\$ 1	\$ -	\$ 1,297
Total Liabilities	<u>\$ 1,296</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1,297</u>
<u><i>DISTRIBUTIVE FUND</i></u>				
Assets				
Cash and cash equivalents	\$ 2,780	\$ 1,502,390	\$ 1,502,351	\$ 2,819
Due from other governments	-	237,036	-	237,036
Total Assets	<u>\$ 2,780</u>	<u>\$ 1,739,426</u>	<u>\$ 1,502,351</u>	<u>\$ 239,855</u>
Liabilities				
Due to other governments	\$ 2,780	\$ 1,739,426	\$ 1,502,351	\$ 239,855
Total Liabilities	<u>\$ 2,780</u>	<u>\$ 1,739,426</u>	<u>\$ 1,502,351</u>	<u>\$ 239,855</u>
<u><i>MCHENRY COUNTY COOPERATIVE FOR EMPLOYMENT EDUCATION</i></u>				
Assets				
Cash and cash equivalents	\$ 6,291	\$ -	\$ 6,291	\$ -
Due from other governments	4,369	-	4,369	-
Total Assets	<u>\$ 10,660</u>	<u>\$ -</u>	<u>\$ 10,660</u>	<u>\$ -</u>
Liabilities				
Due to other governments	\$ 10,660	\$ -	\$ 10,660	\$ -
Total Liabilities	<u>\$ 10,660</u>	<u>\$ -</u>	<u>\$ 10,660</u>	<u>\$ -</u>
<u><i>TOTALS</i></u>				
Assets				
Cash and cash equivalents	\$ 10,367	\$ 1,502,391	\$ 1,508,642	\$ 4,116
Due from other governments	4,369	237,036	4,369	237,036
Total Assets	<u>\$ 14,736</u>	<u>\$ 1,739,427</u>	<u>\$ 1,513,011</u>	<u>\$ 241,152</u>
Liabilities				
Due to other governments	\$ 14,736	\$ 1,739,427	\$ 1,513,011	\$ 241,152
Total Liabilities	<u>\$ 14,736</u>	<u>\$ 1,739,427</u>	<u>\$ 1,513,011</u>	<u>\$ 241,152</u>

McHENRY COUNTY  
REGIONAL OFFICE OF EDUCATION NO. 44  
DISTRIBUTIVE FUND  
SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHERS  
FOR THE YEAR ENDED JUNE 30, 2016

	Regional Office of Education # 44	McHenry County Co-op	Total
General State Aid	\$ 127,885	\$ -	\$ 127,885
Regional Safe Schools	131,780	-	131,780
Title II - Teacher Quality-Leadership Grant	13,416	-	13,416
CTE - Perkins - Secondary	-	311,353	311,353
Career & Technical Education Improvement	-	570,000	570,000
Mathematics and Science Partnerships	314,099	-	314,099
Other State Programs	33,818	-	33,818
	<u>\$ 620,998</u>	<u>\$ 881,353</u>	<u>\$ 1,502,351</u>