



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

**FINANCIAL AUDIT
For the Year Ended June 30, 2020**

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

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

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

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

OFFICIALS

Regional Superintendent (Acting)
(November 17, 2021 to current)

Mr. Michael Freeman

Regional Superintendent
(During the audit period to November 16, 2021)

Ms. Leslie Schermerhorn

Assistant Regional Superintendent
(November 17, 2021 to current)
(During the audit period to November 16, 2021)

Vacant
Mr. Michael Freeman

Office is located at:

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

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

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

AUDITOR’S REPORTS

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

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	4	5
Repeated audit findings	4	5
Prior recommendations implemented or not repeated	1	0

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

SUMMARY OF FINDINGS AND RESPONSES

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<i>Findings (Government Auditing Standards)</i>			
2020-001	10	Controls Over Financial Statement Preparation	Material Weakness
2020-002	13	Noncompliance with Grant Requirements	Material Weakness/ Noncompliance
2020-003	15	Inadequate Internal Control Procedures	Material Weakness
2020-004	17	Delay of Audit	Noncompliance

Prior Audit Findings not Repeated (Government Auditing Standards)

2019-003	24	Improper Accounting of Grant Funds	Material Weakness
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EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on November 22, 2021. Attending from the Regional Office of Education No. 44 was Michael Freeman, Acting Regional Superintendent; and from Adelfia LLC was Jennifer Roan, Partner. Responses to the recommendations were provided by Michael Freeman, Acting Regional Superintendent, on November 30, 2021.

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

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

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



INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McHenry County Regional Office of Education No. 44, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the McHenry County Regional Office of Education No. 44's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McHenry County Regional Office of Education No. 44, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2021 on our consideration of the McHenry County Regional Office of Education No. 44's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of McHenry County Regional Office of Education No. 44's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McHenry County Regional Office of Education No. 44's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
December 23, 2021



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McHenry County Regional Office of Education No. 44, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise McHenry County Regional Office of Education No. 44’s basic financial statements, and have issued our report thereon dated December 23, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2020-001, 2020-002, and 2020-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McHenry County Regional Office of Education No. 44's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2020-002 and 2020-004.

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

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

Purpose of this Report

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

SIGNED ORIGINAL ON FILE

Chicago, Illinois
December 23, 2021

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION I – SUMMARY OF AUDITOR’S RESULTS
For the Year Ended June 30, 2020**

Financial Statements in accordance with GAAP

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified?

yes none reported

Noncompliance material to financial statements noted?

yes no

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2020

FINDING 2020-001 – Controls over Financial Statement Preparation (Repeat of Finding 19-001, 18-001, 17-001, 16-001, 15-001 and 14-001)

CRITERIA/SPECIFIC REQUIREMENT:

Effective June 25, 2021, Public Act 102-0025 allowed a Regional Office of Education or Educational Service Center to utilize a cash basis, modified cash basis, or generally accepted accounting principles (GAAP) basis of accounting to prepare the financial statements for audit. The Regional Office of Education No. 44 has chosen to utilize the GAAP basis of accounting for financial statement reporting. The Regional Office of Education No. 44 is required to maintain a system of controls over the preparation of financial statements. The Regional Office's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP-based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments* (Statement), states the focus of governmental and proprietary fund financial statements is on major funds. Fund statements should present the financial information of each major fund in a separate column. Nonmajor funds should be aggregated and displayed in a single column

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

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

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

GASB Statement No. 62, *Codification on Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements* requires disclosure of the nature of an error in previously issued financial statements and the effect of its correction on the change in net assets in the period in which the error was discovered and corrected.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2020**

FINDING 2020-001 – Controls over Financial Statement Preparation (Repeat of Finding 19-001, 18-001, 17-001, 16-001, 15-001 and 14-001) (Continued)

CONDITION:

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

For the year ended June 30, 2020, the General Education Development Fund and the Transportation Fund met the criteria as major funds; however, these funds were reported in aggregate as nonmajor funds.

In addition, the Regional Office of Education No. 44 inaccurately reversed prior year unavailable revenue amounting to \$50,474 as a prior period adjustment of governmental activities; therefore, understating the net position – beginning balances and overstating the program revenues – operating grants/contributions of the governmental activities in the statement of activities.

The notes to the financial statements in summary of significant accounting policies, basis of presentation - special revenue funds, budgetary information, deposits and investments, due from/to other governments, net position/fund balance were not updated with current year information. In addition, the disclosure on restatement of the net position – beginning balance of the business-type activities was not included.

The Regional Office of Education No. 44 subsequently revised its financial statements to present the General Education Development Fund and the Transportation Fund as major funds, adjusted the misstatements in the net position – beginning balances and program revenues of the governmental activities in the statement of activities, and updated the notes to the financial statements.

EFFECT:

The Regional Office of Education No. 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.

CAUSE:

The Regional Office of Education No. 44's management indicated the Regional Office did not have adequate funding to hire and/or train accounting personnel with the knowledge, skills, and experience to prepare GAAP based financial statements during Fiscal Year 2020. The ROE contracted a part-time accountant after June 30, 2020.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2020**

FINDING 2020-001 – Controls over Financial Statement Preparation (Repeat of Finding 19-001, 18-001, 17-001, 16-001, 15-001 and 14-001) (Concluded)

RECOMMENDATION:

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

MANAGEMENT'S RESPONSE:

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2020**

FINDING 2020-002 – Noncompliance with Grant Requirements (Repeat Finding 19-002, 18-002, 17-002, and 16-002)

CRITERIA/SPECIFIC REQUIREMENT:

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

CONDITION:

The Regional Safe Schools and Regional Safe Schools Cooperative grant programs' budgets, and final expenditure reports indicated the Regional Office expended salaries and benefits, purchased services, and supplies and materials. However, all of the funding was forwarded to other entities as payments to other governments to administer the programs, therefore the expenditure reports were not completed based on the approved budget and general ledger details. Further, we noted 11 of 15 expenditure reports were submitted late, ranging from 1 to 32 days late.

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 No. 44's management indicated that due to vacancy of the bookkeeper position, expenditure reports were not completed accurately. The ROE contracted a part-time accountant after June 30, 2020.

RECOMMENDATION:

The Regional Office of Education No. 44 should ensure grant budgets and expenditure reports are prepared using current and accurate financial data based on reports obtained from the Regional Office's accounting system.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2020**

FINDING 2020-002 – Noncompliance with Grant Requirements (Repeat Finding 19-002, 18-002, 17-002, and 16-002) (Concluded)

MANAGEMENT’S RESPONSE:

The McHenry County Regional Office of Education No. 44 agrees with the finding and has an agreement with the Finance Division to address all expenditure reporting and ensuring that reports match the State of IL ROE Accounting Codes. The McHenry County’s Finance Division will be responsible for such reports effective December 1, 2021.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2020**

FINDING 2020-003 – Inadequate Internal Control Procedures (Repeat of Finding 19-004, 18-004, Partial Repeat Finding 17-004 and 16-004)

CRITERIA/SPECIFIC REQUIREMENT:

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

CONDITION:

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

- Individual responsible for reconciling cash accounts can accept over-the-counter cash receipts;
- Missing supporting documentation for receipt transactions, for 11 of 40 receipts selected for testing;
- No documented evidence of independent review of completed bank reconciliations; and
- Untimely performance of monthly bank reconciliations for 5 bank accounts, 51 of 60 months, ranging from one month to eleven months late.

EFFECT:

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

CAUSE:

The Regional Office of Education No. 44’s management indicated the weaknesses noted in the internal controls were also due to the vacancy of the bookkeeper position. The ROE contracted a part-time accountant after June 30, 2020.

RECOMMENDATION:

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2020**

FINDING 2020-003 – Inadequate Internal Control Procedures (Repeat of Finding 19-004, 18-004, Partial Repeat Finding 17-004 and 16-004) (Concluded)

MANAGEMENT’S RESPONSE:

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2020**

FINDING 2020-004 – Delay of Audit (Repeat of Finding 19-005, 18-005)

CRITERIA/SPECIFIC REQUIREMENT:

Regional Office of Education No. 44 is subject to 105 ILCS 5/2-3.17a which requires the Auditor General’s office to cause an audit to be made, as of June 30th of each year, of the financial statements of all accounts, funds and other moneys in the care, custody or control of the regional superintendent of schools of each educational service region in the State and of each educational service center established in the School Code. The audit is to be conducted in accordance with Generally Accepted Government Auditing Standards.

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

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

CONDITION:

The Regional Office of Education No. 44 did not provide completed financial statements in an auditable form by the August 31 deadline. The completed financial statements were provided on March 25, 2021.

EFFECT:

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

CAUSE:

The Regional Office of Education No. 44’s management indicated the bookkeeper’s position remained vacant during the fiscal year. The ROE contracted a part-time accountant after June 30, 2020.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2020**

Finding No. 2020-004 – Delay of Audit (Repeat of Finding 19-005, 18-005) (Concluded)

RECOMMENDATION:

The Regional Office of Education No. 44 should implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and 74 Ill. Adm. Code 420.320 (c) (2). Annual financial statements should be compiled on an accrual basis of accounting in accordance with GAAP. These financial statements need to be presented to the Auditor General’s independent auditors for audit by the August 31 deadline.

MANAGEMENT’S RESPONSE:

The McHenry County Regional Office of Education No. 44 agrees with the finding and has asked the County’s Finance Division to assume financial and accounting responsibilities of the ROE. Completed financial statements will be provided by the deadline effective August 31, 2022 in accordance with 105 ILCS 5/2-3.17a and 74 III. Admin Code 420.320 (c).

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
For the Year Ended June 30, 2020**

CORRECTIVE ACTION PLAN

FINDING 2020-001 – Controls over Financial Statement Preparation (Repeat of Finding 19-001, 18-001, 17-001, 16-001, 15-001 and 14-001)

CONDITION:

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

For the year ended June 30, 2020, the General Education Development Fund and the Transportation Fund met the criteria as major funds; however, these funds were reported in aggregate as nonmajor funds.

In addition, the Regional Office of Education No. 44 inaccurately reversed prior year unavailable revenue amounting to \$50,474 as a prior period adjustment of governmental activities; therefore, understating the net position – beginning balances and overstating the program revenues – operating grants/contributions of the governmental activities in the statement of activities.

The notes to the financial statements in summary of significant accounting policies, basis of presentation - special revenue funds, budgetary information, deposits and investments, due from/to other governments, net position/fund balance were not updated with current year information. In addition, the disclosure on restatement of the net position – beginning balance of the business-type activities was not included.

The Regional Office of Education No. 44 subsequently revised its financial statements to present the General Education Development Fund and the Transportation Fund as major funds, adjusted the misstatements in the net position – beginning balances and program revenues of the governmental activities in the statement of activities, and updated the notes to the financial statements.

PLAN:

The County Finance Division has now taken over the financial reporting and accounting responsibilities of the ROE effective December 1, 2021. ROE-related journal entries will now follow the County’s Journal Entries Policy. Additionally, statement preparation and audit work will fall under the Finance Division’s responsibilities as well.

ANTICIPATED DATE OF COMPLETION:

Effective Q1 of the County’s Fiscal Year (between December 2021 and February 2022) with reporting period for ROE Fiscal Year 2022.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
For the Year Ended June 30, 2020**

CORRECTIVE ACTION PLAN (Continued)

FINDING 2020-001 – Controls over Financial Statement Preparation (Repeat of Finding 19-001, 18-001, 17-001, 16-001, 15-001 and 14-001) (Concluded)

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

Kevin A. Bueso, Chief Financial Officer, McHenry County
Mr. Michael Freeman, Acting Regional Superintendent of Schools

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
For the Year Ended June 30, 2020**

CORRECTIVE ACTION PLAN (Continued)

FINDING 2020-002 – Noncompliance with Grant Requirements (Repeat Finding 19-002, 18-002, 17-002, and 16-002)

CONDITION:

The Regional Safe Schools and Regional Safe Schools Cooperative grant programs' budgets, and final expenditure reports indicated the Regional Office expended salaries and benefits, purchased services, and supplies and materials. However, all of the funding was forwarded to other entities as payments to other governments to administer the programs, therefore the expenditure reports were not completed based on the approved budget and general ledger details. Further, we noted 11 of 15 expenditure reports were submitted late, ranging from 1 to 32 days late.

PLAN:

The McHenry County's Finance Division will be addressing all expenditure reporting and ensuring that reports match the State of IL ROE Accounting Codes. The Finance Division will be responsible for such reports effective December 1, 2021.

ANTICIPATED DATE OF COMPLETION:

Effective Q1 of the County's Fiscal Year (between December 2021 and February 2022) with reporting period for ROE Fiscal Year 2022.

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

Kevin A. Bueso, Chief Financial Officer, McHenry County
Mr. Michael Freeman, Acting Regional Superintendent of Schools

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
For the Year Ended June 30, 2020**

CORRECTIVE ACTION PLAN (Continued)

FINDING 2020-003 – Inadequate Internal Control Procedures (Repeat of Finding 19-004, 18-004, Partial Repeat Finding 17-004 and 16-004)

CONDITION:

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

- Individual responsible for reconciling cash accounts can accept over-the-counter cash receipts;
- Missing supporting documentation for receipt transactions, for 11 of 40 receipts selected for testing;
- No documented evidence of independent review of completed bank reconciliations; and
- Untimely performance of monthly bank reconciliations for 5 bank accounts, 51 of 60 months, ranging from one month to eleven months late.

PLAN:

All cash accounts will be brought into a centralized account structure within the County Treasurer. ROE staff will no longer reconcile bank statements; ROE staff will prepare deposits. Deposits will be managed by staff at the County Treasurer. The County Treasurer (separate staff member within the office) will then reconcile bank statements. Receipt documentation for transactions will follow the County’s procedure in the County’s financial ERP system, where we maintain all documentation including scanned documents.

ANTICIPATED DATE OF COMPLETION:

Effective Q1 of the County’s Fiscal Year (between December 2021 and February 2022) with reporting period for ROE Fiscal Year 2022.

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

Kevin A. Bueso, Chief Financial Officer, McHenry County
Mr. Michael Freeman, Acting Regional Superintendent of Schools

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
For the Year Ended June 30, 2020**

CORRECTIVE ACTION PLAN (Concluded)

FINDING 2020-004 – Delay of Audit (Repeat of Finding 19-005, 18-005)

CONDITION:

The Regional Office of Education No. 44 did not provide completed financial statements in an auditable form by the August 31 deadline. The completed financial statements were provided on March 25, 2021.

PLAN:

The McHenry County's Finance Division has assumed financial and accounting responsibilities of the ROE. Completed financial statements will be provided by the deadline effective August 31, 2022.

ANTICIPATED DATE OF COMPLETION:

August 31, 2022.

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

Kevin A. Bueso, CFO, McHenry County
Mr. Michael Freeman, Acting Regional Superintendent of Schools

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS NOT REPEATED
For the Year Ended June 30, 2020**

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
2019-003	Improper Accounting of Grant Funds During the current audit, the Regional Office of Education No. 44 identified and recorded grant funds separately by funding source in a set of self-balancing accounts.	Not Repeated

BASIC FINANCIAL STATEMENTS

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
STATEMENT OF NET POSITION
June 30, 2020**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 261,675	\$ 52,629	\$ 314,304
Accounts Receivable	-	9,336	9,336
Due from Other Governments	25,993	-	25,993
Total Current Assets	287,668	61,965	349,633
LIABILITIES			
Current Liabilities			
Accounts Payable	256	3,226	3,482
Unearned Revenue	-	3,096	3,096
Due to Other Governments	23,846	-	23,846
Total Current Liabilities	24,102	6,322	30,424
NET POSITION			
Restricted for Educational Purposes	192,652	-	192,652
Unrestricted	70,914	55,643	126,557
Total Net Position	\$ 263,566	\$ 55,643	\$ 319,209

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues		Net (Expenses)/Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants/Contributions	Primary Government
				Governmental Activities
Primary Government				Business-Type Activities
Governmental Activities				Total
Instructional Services	\$ 303,477	\$ -	\$ 38,880	\$ (264,597)
Purchased Services	-	-	3,549	3,549
Supplies and Materials	2,710	-	-	(2,710)
Other Objects				
Intergovernmental				
Payments to Other Governments	568,438	-	285,538	(282,900)
Administrative				
On-Behalf Payments - State	287,308	-	-	(287,308)
On-Behalf Payments - Local	367,010	-	-	(367,010)
Total Governmental Activities	1,528,943	-	327,967	(1,200,976)
Business-Type Activities				
Fingerprinting Fees	67,328	69,306	-	1,978
Total Business-Type Activities	67,328	69,306	-	1,978
Total Primary Government	\$ 1,596,271	\$ 69,306	\$ 327,967	(1,198,998)
General Revenues				
State Sources				242,676
Local Sources				115,032
On-Behalf Payments - State				287,308
On-Behalf Payments - Local				367,010
Investment Earnings				5,901
Total General Revenues				1,017,927
Change in Net Position				(183,049)
Net Position - Beginning, as Restated (Note 5)				446,615
Net Position - Ending				263,566
				55,643
				319,209

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020**

	General Fund	Education Fund	Institute Fund	General Education Development Fund	Transportation Fund	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 70,379	\$ -	\$ 111,375	\$ 41,157	\$ 38,764	\$ 261,675
Due from Other Governments	535	23,846	1,612	-		25,993
Total Assets	<u>\$ 70,914</u>	<u>\$ 23,846</u>	<u>\$ 112,987</u>	<u>\$ 41,157</u>	<u>\$ 38,764</u>	<u>\$ 287,668</u>
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 256	\$ 256
Due to Other Governments	-	23,846	-	-	-	23,846
Total Liabilities	<u>-</u>	<u>23,846</u>	<u>-</u>	<u>-</u>	<u>256</u>	<u>24,102</u>
FUND BALANCES						
Restricted	-	-	112,987	41,157	38,508	192,652
Unassigned	70,914	-	-	-	-	70,914
Total Fund Balances (Deficit)	<u>70,914</u>	<u>-</u>	<u>112,987</u>	<u>41,157</u>	<u>38,508</u>	<u>263,566</u>
Total Liabilities and Fund Balances	<u>\$ 70,914</u>	<u>\$ 23,846</u>	<u>\$ 112,987</u>	<u>\$ 41,157</u>	<u>\$ 38,764</u>	<u>\$ 287,668</u>

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

**McHENRY COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 44
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 GOVERNMENTAL FUNDS
 June 30, 2020**

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$ 263,566
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Current year unavailable revenue
 State sources

-

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 263,566</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General Fund	Education Fund	Institute Fund	General Education Development Fund	Transportation Fund	Total Governmental Funds
Revenues						
State Sources	\$ 189,997	\$ 428,915	\$ -	\$ -	\$ 2,205	\$ 621,117
Local Sources	1,418	-	98,928	2,470	12,216	115,032
On-Behalf Payments - State	287,308	-	-	-	-	287,308
On-Behalf Payments - Local	367,010	-	-	-	-	367,010
Investment Income	5,417	-	484	-	-	5,901
Total Revenues	<u>851,150</u>	<u>428,915</u>	<u>99,412</u>	<u>2,470</u>	<u>14,421</u>	<u>1,396,368</u>
Expenditures						
Instructional Services						
Purchased Services	6,502	-	292,606	-	4,369	303,477
Other Objects	2,567	-	143	-	-	2,710
Administrative						
On-Behalf Payments - State	287,308	-	-	-	-	287,308
On-Behalf Payments - Local	367,010	-	-	-	-	367,010
Intergovernmental						
Payments to Other Governments	189,997	378,441	-	-	-	568,438
Total Expenditures	<u>853,384</u>	<u>378,441</u>	<u>292,749</u>	<u>-</u>	<u>4,369</u>	<u>1,528,943</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,234)</u>	<u>50,474</u>	<u>(193,337)</u>	<u>2,470</u>	<u>10,052</u>	<u>(132,575)</u>
Net Change in Fund Balances	(2,234)	50,474	(193,337)	2,470	10,052	(132,575)
Fund Balances - Beginning	<u>73,148</u>	<u>(50,474)</u>	<u>306,324</u>	<u>38,687</u>	<u>28,456</u>	<u>396,141</u>
Fund Balances - Ending	<u>\$ 70,914</u>	<u>\$ -</u>	<u>\$ 112,987</u>	<u>\$ 41,157</u>	<u>\$ 38,508</u>	<u>\$ 263,566</u>

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS \$ (132,575)

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

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

Prior year unavailable revenue

State sources

(50,474)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ (183,049)

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020**

	Business-Type Activities Major Enterprise Fund
	<u>Fingerprinting Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 52,629
Accounts receivable	9,336
Total Current Assets	<u>61,965</u>
Total Assets	<u>61,965</u>
LIABILITIES	
Current liabilities	
Accounts payable	3,226
Unearned revenue	3,096
Total Current Liabilities	<u>6,322</u>
Total Liabilities	<u>6,322</u>
NET POSITION	
Unrestricted	<u>55,643</u>
Total Net Position	<u><u>\$ 55,643</u></u>

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2020**

	Business-Type Activities Major Enterprise Fund <u>Fingerprinting Fund</u>
Operating Revenues	
Charges for Services	\$ 69,306
Total Operating Revenues	<u>69,306</u>
Operating Expenses	
Salaries and benefits	9,098
Purchased Services	58,230
Total Operating Expenses	<u>67,328</u>
Operating Income	1,978
Nonoperating Revenues	
Interest	694
Total Nonoperating Revenues	<u>694</u>
CHANGE IN NET POSITION	2,672
Net Position - Beginning, as Restated (Note 5)	<u>52,971</u>
Net Position - Ending	<u><u>\$ 55,643</u></u>

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2020

	Business-Type Activities Major <u>Enterprise Fund</u> Fingerprinting Fund
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 106,038
Payments to suppliers and providers of goods and services	(55,004)
Payments to employees	(9,098)
Net cash provided by (used for) operating activities	<u>41,936</u>
Cash Flows from Investing Activities:	
Interest on investments	694
Net cash provided by investing activities	<u>694</u>
Net Increase (Decrease) in Cash and Cash Equivalents	42,630
Cash and Cash Equivalents - Beginning	<u>9,999</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 52,629</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 1,978
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) Decrease in:	
Accounts receivable	(9,336)
Due from other government	42,972
Increase (Decrease) in:	
Accounts payable	3,226
Unearned revenue	3,096
Net Cash Provided by (Used For) Operating Activities	<u><u>\$ 41,936</u></u>

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2020**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 16,856
Total Assets	\$ 16,856
LIABILITIES	
Due to Other Governments	\$ 16,856

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On May 8, 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*, which is intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic. Based on this guidance, the Regional Office of Education No. 44 has postponed implementation of GASB Statement No. 84 – *Fiduciary Activities*, and GASB Statement No. 90 – *Majority Equity Interest – an amendment of GASB Statements No. 14 and 61* until the fiscal year ending June 30, 2021.

REPORTING ENTITY

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

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

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

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.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

For the period ended June 30, 2020, the McHenry County Regional Office of Education No. 44 applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in McHenry County Regional Office of Education No. 44.

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

SCOPE OF THE REPORTING ENTITY

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

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION

Government-Wide Statements

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

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

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

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Government-Wide Statements – Continued

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

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

Fund Financial Statements

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

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

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

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

Governmental Funds

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

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

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

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

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

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Governmental Funds – Continued

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

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

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

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the McHenry County Regional Office of Education No. 44 in a trustee capacity or as an agent for individuals, private organizations, 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 – Used to account for the marketing and disposal of school properties belonging to local education agencies and for clearing of monies used for expenses related to detachment petitions.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Fiduciary Funds – Continued

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Cash and Investments

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

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

Receivables

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

Interfund Receivables, Payables and Activity

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

Capital Assets

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Capital Assets – Continued

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

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

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

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

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. As of June 30, 2020, the ROE did not have any deferred outflows of resources.

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Unearned Revenue

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

Net Position

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

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

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

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

Revenue

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Concluded

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

Revenue – Continued

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

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

Management Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

The ROE did not adopt a formal budget nor is it legally required to do so for the year ended June 30, 2020; subsequently, the accompanying financial statements are not presented on a budgetary basis whereby budget and actual revenues and expenditures are compared; however, the Illinois State Board of Education, a granting agent, requires budgets for certain program money. For the year ended June 30, 2020, a budgetary comparison schedule is presented for the following grant funds: ROE/ISC Operations, Regional Safe Schools Program, and Regional Safe Schools Cooperative.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

DEPOSITS AND INVESTMENTS

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

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

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

Deposits and Investments. At June 30, 2020, the carrying amount of the McHenry County Regional Office of Education No. 44's government-wide and agency deposits were \$314,304 and \$16,856, respectively. Of the total bank balances of \$431,370, as of June 30, 2020, \$255,000 was secured by federal depository insurance, \$107,356 was invested in Illinois Funds Money Market Fund and \$69,014 was collateralized by securities pledged by the McHenry County Regional Office of Education No. 44's financial institution in the name of the Regional Office.

The Regional Office of Education No. 44's investment policy requires that funds should be invested solely in investments authorized by 30 ILCS 235/2 and 6 and 105 ILCS 5/8-7. As of June 30, 2020, the Regional Office of Education No. 44 had investments with carrying and fair values of \$107,356 invested in the Illinois Funds Money Market Fund.

Credit Risk. At June 30, 2020, the Illinois Funds Money Market Fund had a Standards and Poor's AAAM rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Concluded

DEPOSITS AND INVESTMENTS - Continued

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

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

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS

CAPITAL ASSETS

Governmental Activities

Governmental capital asset activity for the year was as follows:

	Balances				Balances
	June 30, 2019	Additions	Deletions		June 30, 2020
Governmental Activities:					
<u>Education Fund</u>					
Depreciable Capital Assets					
Equipment	\$ 10,176	\$ -	\$ -	\$ -	\$ 10,176
Less Accumulated Depreciation					
Equipment	10,176	-	-	-	10,176
Governmental Activities					
Investment in Capital Assets, Net	\$ -	\$ -	\$ -	\$ -	-

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

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Transfers

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

DUE FROM/TO OTHER GOVERNMENTS

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

Due from Other Governments:	
General Fund	
Local Governments	\$ 535
Education Fund	
Illinois State Board of Education	23,846
Institute Fund	
Local Governments	1,612
Total	\$ 25,993

Due to Other Governments:	
Education Fund	
Local Governments	\$ 23,846
Fiduciary Fund	
Local Governments	16,856
Total	\$ 40,702

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

ON-BEHALF PAYMENTS

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

Regional Superintendent - Salary	\$ 119,832
Assistant Regional Superintendent - Salary	107,844
Regional Superintendent - Benefits (includes state paid insurance)	27,113
Assistant Regional Superintendent - Benefits (includes state paid insurance)	32,519
Total On-Behalf Payments - State	<u>\$ 287,308</u>

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

McHenry County provides the ROE with staff and pay certain expenditures on behalf of the Regional Office. The expenditures paid on the ROE's behalf for the year ended June 30, 2020, were as follows:

Salaries, benefits, and expenses	\$ 324,613
Value of building space	42,397
Total On-Behalf Payments - Local	<u>\$ 367,010</u>

NET POSITION/FUND BALANCE

Fund Balance Classifications

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

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

NET POSITION/FUND BALANCE – Continued

Fund Balance Classifications – Continued

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

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

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

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

NOTE 4 – OTHER INFORMATION

RISK MANAGEMENT

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

CONTINGENT LIABILITIES

Litigation

The ROE is not involved in any lawsuits at June 30, 2020.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

NOTE 4 – OTHER INFORMATION – Concluded

CONTINGENT LIABILITIES – Concluded

State and Federal Aid Contingencies

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

SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 23, 2021, the date when the financial statements were available to be issued.

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

NOTE 5 – RESTATEMENT

In 2020, ROE restated opening net position to reflect fingerprinting fees collected by the McHenry County in previous years.

	Business-Type Activities
Net Position, June 30, 2019, as previously reported	\$ 9,999
Effect of restatement related to fingerprinting fees	42,972
Net Position, June 30, 2019, as restated	<u>\$ 52,971</u>

SUPPLEMENTAL INFORMATION

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
COMBINING SCHEDULE OF ACCOUNTS
GENERAL FUND
June 30, 2020**

	General Fund	Regional Safe Schools Program- General State Aid	Total General Fund
ASSETS			
Cash and Cash Equivalents	\$ 70,379	\$ -	\$ 70,379
Due from Other Governments	535	-	535
Total Assets	\$ 70,914	\$ -	\$ 70,914
FUND BALANCES			
Unassigned	\$ 70,914	\$ -	\$ 70,914
Total Fund Balances	\$ 70,914	\$ -	\$ 70,914

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND ACCOUNTS
For the Year Ended June 30, 2020

	General Fund	Regional Safe Schools Program- General State Aid	Total General Fund
Revenues			
State Sources	\$ -	\$ 189,997	\$ 189,997
Local Sources	1,418	-	1,418
On-Behalf Payments - State	287,308	-	287,308
On-Behalf Payments - Local	367,010	-	367,010
Investment Earnings	5,417	-	5,417
Total Revenues	661,153	189,997	851,150
Expenditures			
Instructional Services			
Purchased Services	6,502	-	6,502
Other Objects	2,567	-	2,567
Administrative			
On-Behalf Payments - State	287,308	-	287,308
On-Behalf Payments - Local	367,010	-	367,010
Intergovernmental			
Payments to Other Governments	-	189,997	189,997
Total Expenditures	663,387	189,997	853,384
Excess (Deficiency) of Revenues Over (Under) Expenditures			
	(2,234)	-	(2,234)
Net Change in Fund Balances			
	(2,234)	-	(2,234)
Fund Balances - Beginning			
	73,148	-	73,148
Fund Balances - Ending			
	\$ 70,914	\$ -	\$ 70,914

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2020**

	ROE/ISC Operations	Regional Safe Schools Program	Regional Safe Schools Cooperative	Total Education Fund
ASSETS				
Due from Other Governments	\$ 1,170	\$ 17,363	\$ 5,313	\$ 23,846
Total Assets	1,170	17,363	5,313	23,846
LIABILITIES				
Due to Other Governments	1,170	17,363	5,313	23,846
Total Liabilities	1,170	17,363	5,313	23,846
FUND BALANCES				
Unassigned	-	-	-	-
Total Fund Balances (Deficit)	-	-	-	-
Total Liabilities and Fund Balances	\$ 1,170	\$ 17,363	\$ 5,313	\$ 23,846

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2020**

	ROE/ISC Operations	Regional Safe Schools Program	Regional Safe Schools Cooperative	Total Education Fund
Revenues				
State Sources	\$ 174,350	\$ 202,937	\$ 51,628	\$ 428,915
Total Revenues	<u>174,350</u>	<u>202,937</u>	<u>51,628</u>	<u>428,915</u>
Expenditures				
Intergovernmental				
Payments to Other Governments	174,350	156,281	47,810	378,441
Total Expenditures	<u>174,350</u>	<u>156,281</u>	<u>47,810</u>	<u>378,441</u>
Net Change in Fund Balances	-	46,656	3,818	50,474
Fund Balances - Beginning	-	(46,656)	(3,818)	(50,474)
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**McHENRY COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 44
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNT
 ROE/ISC OPERATIONS
 For the Year Ended June 30, 2020**

	Budget		Actual
	Original	Final	
Revenues			
State Sources	\$ 174,350	\$ 174,350	\$ 174,350
Expenditures			
Instructional Services			
Salaries and Benefits	146,186	-	-
Purchased Services	24,227	-	-
Supplies & Materials	3,114	-	-
Other Objects	97	-	-
Capital Outlay	726	-	-
Intergovernmental			
Payments to Other Governments	-	174,350	174,350
Total Expenditures	174,350	174,350	174,350
Net Change in Fund Balance	\$ -	\$ -	-
Fund Balance - Beginning			-
Fund Balance - Ending			\$ -

**McHENRY COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 44
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNT
 REGIONAL SAFE SCHOOLS PROGRAM
 For the Year Ended June 30, 2020**

	Budget		
	Original	Final	Actual
Revenues			
State Sources	\$ 156,281	\$ 156,281	\$ 202,937
Expenditures			
Instructional Services			
Salaries and Benefits	156,281	156,281	-
Intergovernmental			
Payments to Other Governments	-	-	156,281
Total Expenditures	156,281	156,281	156,281
Net Change in Fund Balance	\$ -	\$ -	46,656
Fund Balance (Deficit) - Beginning			(46,656)
Fund Balance (Deficit) - Ending			\$ -

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNT
REGIONAL SAFE SCHOOLS COOPERATIVE
For the Year Ended June 30, 2020**

	Budget		Actual
	Original	Final	
Revenues			
State Sources	\$ 47,810	\$ 47,810	\$ 51,628
Expenditures			
Instructional Services			
Salaries	30,500	30,500	-
Purchased Services	11,450	11,450	-
Supplies and Materials	3,360	3,360	-
Intergovernmental			
Payments to Other Governments	2,500	2,500	47,810
Total Expenditures	47,810	47,810	47,810
Net Change in Fund Balance	\$ -	\$ -	3,818
Fund Balance (Deficit) - Beginning			(3,818)
Fund Balance (Deficit) - Ending			\$ -

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
COMBINING STATEMENT OF FIDUCIARY NET POSITION
ALL AGENCY FUNDS
June 30, 2020**

	Regional Board of School Trustees	Distributive Fund	Totals
ASSETS			
Cash and Cash Equivalents	\$ 1,311	\$ 15,545	\$ 16,856
Due from Other Governments	-	-	-
Total Assets	\$ 1,311	\$ 15,545	\$ 16,856
LIABILITIES			
Due to Other Governments	\$ 1,311	\$ 15,545	\$ 16,856

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2020**

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
Regional Board of School Trustees				
ASSETS				
Cash and Cash Equivalents	\$ 1,311	\$ -	\$ -	\$ 1,311
LIABILITIES				
Due to Other Governments	\$ 1,311	\$ -	\$ -	\$ 1,311
Distributive Fund				
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 1,479,099	\$ 1,463,554	\$ 15,545
Due from Other Governments	27,190	-	27,190	-
Total Assets	<u>\$ 27,190</u>	<u>\$ 1,479,099</u>	<u>\$ 1,490,744</u>	<u>\$ 15,545</u>
LIABILITIES				
Due to Other Governments	<u>\$ 27,190</u>	<u>\$ 15,545</u>	<u>\$ 27,190</u>	<u>\$ 15,545</u>
Totals				
ASSETS				
Cash and Cash Equivalents	\$ 1,311	\$ 1,479,099	\$ 1,463,554	\$ 16,856
Due from Other Governments	27,190	-	27,190	-
Total Assets	<u>\$ 28,501</u>	<u>\$ 1,479,099</u>	<u>\$ 1,490,744</u>	<u>\$ 16,856</u>
LIABILITIES				
Due to Other Governments	<u>\$ 28,501</u>	<u>\$ 15,545</u>	<u>\$ 27,190</u>	<u>\$ 16,856</u>

**McHENRY COUNTY
 REGIONAL OFFICE OF EDUCATION NO. 44
 SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS
 AND OTHER ENTITIES
 DISTRIBUTIVE FUND
 For the Year Ended June 30, 2020**

	Regional Office of Education #44	McHenry County Co-op	Total
Regional Safe Schools	\$ 156,281	\$ -	\$ 156,281
School Bus Driver Training	2,205	-	2,205
ROE/ISC Operations	174,350	-	174,350
CTE - Perkins - Secondary	-	294,973	294,973
Career & Technical Education Improvement	-	597,938	597,938
Evidence-Based Funding	189,997	-	189,997
Other State Programs	47,810	-	47,810
	<u>\$ 570,643</u>	<u>\$ 892,911</u>	<u>\$ 1,463,554</u>