



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

**FINANCIAL AUDIT
For the Year Ended June 30, 2024**

**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 (current and during the audit period)

Ms. Diana Hartmann

Assistant Regional Superintendent
(current and during the audit period)

Mr. Christopher Zielinski

Office is located at:

408 S. IL Route 31
McHenry, Illinois 60050

**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	3
Repeated audit findings	2	2
Prior recommendations implemented or not repeated	1	1

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

SUMMARY OF FINDINGS AND RESPONSES

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<i>Findings (Government Auditing Standards)</i>			
2024-001	11	Controls over Financial Statement Preparation	Material Weakness
2024-002	13	Uninsured and Uncollateralized Deposits	Material Weakness
2024-003	14	Noncompliance with Grant Requirements	Material Weakness /Noncompliance
2024-004	16	Delay of Audit	Noncompliance

Prior Audit Findings not Repeated (Government Auditing Standards)

2023-002	23	Inadequate Internal Control Procedures	Material Weakness
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**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
FINANCIAL REPORT SUMMARY (CONCLUDED)**

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on December 18, 2025. Attending from the Regional Office of Education No. 44 were Diana Hartmann, Regional Superintendent; and from Adelfia LLC were Jennifer Roan and Maria Divina Valera, Partners; and Carl Ong, Manager. Responses to the recommendations were provided by Diana Hartmann, Regional Superintendent, on December 19, 2025.

**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 Audit of the Financial Statements

Opinions

As Special Assistant Auditors for the Auditor General, we have audited the modified cash basis financial statements of the governmental activities, 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, 2024, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis 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, 2024, and the respective changes in the modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the McHenry County Regional Office of Education No. 44, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter- Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 McHenry County Regional Office of Education No. 44's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Regional Office of Education No. 44's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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 modified cash basis 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 – Modified Cash Basis are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 modified cash basis 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 – Modified Cash Basis are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the modified cash basis of accounting described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2026, 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 the McHenry County Regional Office of Education No. 44's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
January 15, 2026



**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 modified cash basis 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, 2024, and the related notes to the financial statements, which collectively comprise McHenry County Regional Office of Education No. 44's basic financial statements, and we have issued our report thereon dated January 15, 2026.

Report on Internal Control Over Financial Reporting

Management of the McHenry County Regional Office of Education No. 44 is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

In planning and performing our audit of the financial statements, we considered McHenry County Regional Office of Education No. 44's internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the modified cash basis 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 preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2024-001, 2024-002, and 2024-003, that we consider to be material weaknesses.

Report on 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 2024-003 and 2024-004.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Regional Office of Education No. 44's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The 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
January 15, 2026

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, 2024

Financial Statements in accordance with Modified Cash Basis

Type of auditor's report issued:	<i>Unmodified</i>		
Internal control over financial reporting:			
Material weakness(es) identified?	<input checked="" type="checkbox"/>	yes	no
Significant deficiency(ies) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/> 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, 2024**

FINDING 2024-001 – Controls over Financial Statement Preparation (Repeat of Finding 2023-001)

CRITERIA/SPECIFIC REQUIREMENT:

The School Code 105 ILCS 5/2-3.17a allows a Regional Office of Education or Educational Service Center to utilize a cash basis, modified cash basis, or generally accepted accounting principles (GAAP) basis of accounting to prepare financial statements for audit. The Regional Office of Education No. 44 (ROE) has chosen to utilize the modified cash basis of accounting for financial reporting. The ROE is required to maintain a system of controls over the preparation of financial statements, in accordance with its selected basis of accounting.

CONDITION:

The Regional Office of Education No. 44 does not have sufficient internal controls over the financial reporting process. While the Regional Office of Education No. 44 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the financial statements for management or employees in the normal course of performing their assigned functions to prevent, or detect and correct, financial statement misstatements and disclosure omissions in a timely manner.

During review of the Regional Office of Education No. 44's financial information, it was noted the Regional Office of Education No. 44 did not have adequate controls to ensure financial statement balances were accurate. While the Regional Office of Education No. 44 did maintain records to indicate the balances of financial statement accounts, material audit adjustments were proposed in order to ensure those balances were accurate in accordance with the modified cash basis of accounting. In addition, disclosures in the financial statements were missing related to capital assets, operating lease, and retirement systems.

We also noted the budgetary comparison schedules presented as supplemental information for the grants from the Illinois State Board of Education (ISBE) did not accurately present the original and final budgets. The Regional Office of Education No. 44 subsequently revised the schedules to reflect the amounts per ISBE.

EFFECT:

The Regional Office of Education No. 44's management or its employees, in the normal course of performing their assigned functions, did not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2024**

FINDING 2024-001 – Controls over Financial Statement Preparation (Repeat of Finding 2023-001) (Concluded)

CAUSE:

Regional Office of Education No. 44 officials indicated they did not effectively detect all of the adjustments and disclosures needed in order to present financial statements in accordance with the modified cash basis of accounting.

RECOMMENDATION:

The Regional Office of Education No. 44 should implement comprehensive preparation and/or review procedures as part of their internal control over the preparation of financial statements to ensure the financial statements, including disclosures, are complete and accurate. These procedures should be performed by a properly trained individual(s) possessing a thorough understanding of the basis of accounting selected for financial statements, GASB pronouncements, and knowledge of Regional Office of Education No. 44's activities and operations.

MANAGEMENT'S RESPONSE:

Effective July 1, 2025, a new accounting firm has been contracted to complete future audits and perform accounting duties for the Regional Office of Education No. 44.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2024**

FINDING 2024-002 – Uninsured and Uncollateralized Deposits

CRITERIA/SPECIFIC REQUIREMENT:

The Regional Office of Education No. 44 is required to follow the Illinois Public Funds Investment Act (30 ILCS 235/6 (d)) (Act). The Act gives the authorization for deposits in excess of the federally insured limit to be covered by pledged collateral held by the financial institution's trust departments in the Regional Office of Education No. 44's name. In addition, prudent business practice requires that all cash and investments held by the financial institutions for the Regional Office of Education No. 44 be adequately covered by depository insurance or collateral.

CONDITION:

The Regional Office of Education No. 44 did not adequately perform formal monitoring procedures of its bank accounts to ensure that cash balances maintained at various financial institutions were fully secured and collateralized. The Regional Office of Education No. 44 has three financial institutions with bank balances totaling \$2,109,042 as of June 30, 2024, of which \$1,457,048 was uninsured or uncollateralized.

EFFECT:

Failure to adequately monitor and ensure Regional Office of Education No. 44's funds are sufficiently covered by collateral may result in monetary losses to the Regional Office of Education No. 44 in the event of a bank failure.

CAUSE:

The Regional Office of Education No. 44 officials indicated competing priorities prevented them from monitoring the adequacy of the level of the collateral.

RECOMMENDATION:

The Regional Office of Education No. 44 should regularly monitor balances held with financial institutions and secure sufficient pledged collateral. The Regional Office of Education No. 44 should ensure the value of collateral remains adequate for the balance of the Regional Office of Education No. 44's accounts according to the agreement in place.

MANAGEMENT'S RESPONSE:

The gap in collateralization resulted from changing bank accounts requested by the County. Collateralization will be completed in FY2026.

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2024

FINDING 2024-003 – Noncompliance with Grant Requirements

CRITERIA/SPECIFIC REQUIREMENT:

The Regional Office of Education No. 44 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 Office of Education No. 44 submitted inaccurate expenditure reports to the grantor. We noted the total expenditures in the financial statements did not agree with the total expenditures reported to ISBE as follows:

Program	Total Expenditures per Financial Statements	Total Expenditures per Quarterly Reports submitted to ISBE	Total Difference (Over) Under Stated
ROE/ISC Operations	\$673,513	\$609,244	\$64,269
Regional Safe Schools Program*	\$531,164	\$153,624	\$377,540
Regional Safe Schools**	\$223,504	\$296,000	(\$74,296)
Elementary and Secondary School Emergency Relief (PY 2024)	\$9,326	\$10,428	(\$1,102)

* This program's fiscal agent was the Special Education District of McHenry County until December 31, 2023.

**This is the same program as the Regional Safe Schools Program that the ROE took over the fiscal duties starting January 1, 2024.

In addition, for the ROE/ISC Operations grant, the Regional Office of Education No. 44 reported salaries of \$43,012 and purchased services of \$2,500 to ISBE but originally presented those expenditures as payment to other governments in their financial statements; and \$31,596 was reported as supplies and materials instead of capital outlay. The Regional Office of Education No. 44 made reclassifications in the financial statements to reflect the proper line items.

In all instances, the Regional Office of Education No. 44 did not submit corrected reports to ISBE.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2024**

FINDING 2024-003 – Noncompliance with Grant Requirements (Concluded)

EFFECT:

The 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 officials indicated additional time was needed by the contracted bookkeeper to process and record Fiscal Year 2024 transactions, resulting to inaccurate amounts reported to ISBE.

RECOMMENDATION:

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

MANAGEMENT'S RESPONSE:

Due to inaccuracies, delays, and lack of correct accounting, the Regional Office of Education No. 44 did not renew the contract with the accounting firm utilized during FY2024. As of July 1, 2025 another firm was contracted to perform the accounting and preparation of the financial statements.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2024**

FINDING 2024-004 – Delay of Audit (Repeat of Findings 23-003, 22-003, 21-004, 20-004, 19-005 and 18-005)

CRITERIA/SPECIFIC REQUIREMENT:

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

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

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

CONDITION:

The Regional Office of Education No. 44 did not provide complete financial statements in an auditable form by August 31, 2024. The preliminary financial statements provided on June 2, 2025 required material adjustments and the updated financial statements were provided on November 21, 2025.

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.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF FINDINGS AND RESPONSES
SECTION II – FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2024**

FINDING 2024-004 – Delay of Audit (Repeat of Findings 23-003, 22-003, 21-004, 20-004, 19-005 and 18-005) (Concluded)

CAUSE:

The Regional Office of Education No. 44's management indicated the delay was due to additional time needed by the contracted bookkeeper to process and record Fiscal Year 2024 transactions.

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). These financial statements need to be presented to the Auditor General's independent auditors for audit by the August 31 deadline.

MANAGEMENT'S RESPONSE:

Due to inaccuracies, delays, and lack of correct accounting, the Regional Office of Education No. 44 did not renew the contract with the accounting firm utilized during FY2024. As of July 1, 2025 another accounting firm was contracted and will perform the accounting and preparation of the financial statements.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
For the Year Ended June 30, 2024**

FINDING 2024-001 – Controls over Financial Statement Preparation (Repeat of Finding 2023-001)

CONDITION:

The Regional Office of Education No. 44 does not have sufficient internal controls over the financial reporting process. While the Regional Office of Education No. 44 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the financial statements for management or employees in the normal course of performing their assigned functions to prevent, or detect and correct, financial statement misstatements and disclosure omissions in a timely manner.

During review of the Regional Office of Education No. 44's financial information, it was noted the Regional Office of Education No. 44 did not have adequate controls to ensure financial statement balances were accurate. While the Regional Office of Education No. 44 did maintain records to indicate the balances of financial statement accounts, material audit adjustments were proposed in order to ensure those balances were accurate in accordance with the modified cash basis of accounting. In addition, disclosures in the financial statements were missing related to capital assets, operating lease, and retirement systems.

We also noted the budgetary comparison schedules presented as supplemental information for the grants from the Illinois State Board of Education (ISBE) did not accurately present the original and final budgets. The Regional Office of Education No. 44 subsequently revised the schedules to reflect the amounts per ISBE.

PLAN:

The Regional Office of Education No. 44 did not renew the contract with the previous accounting firm and contracted with another accounting firm, effective July 1, 2025. The contracted external accountant provides all accounting and liaise with the auditors for the Regional Office of Education No. 44. This change will greatly improve financial statement preparation going forward.

ANTICIPATED DATE OF COMPLETION:

June 30, 2026

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

Ms. Diana Hartmann, 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, 2024**

CORRECTIVE ACTION PLAN (Continued)

FINDING 2024-002 – Uninsured and Uncollateralized Deposits

CONDITION:

The Regional Office of Education No. 44 did not adequately perform formal monitoring procedures of its bank accounts to ensure that cash balances maintained at various financial institutions were fully secured and collateralized. The Regional Office of Education No. 44 has three financial institutions with bank balances totaling \$2,109,042 as of June 30, 2024, of which \$1,457,048 was uninsured or uncollateralized.

PLAN:

Bank accounts will be collateralized by June 30, 2026. The bank accounts were moved by request of the County, which caused the gap in collateralization.

ANTICIPATED DATE OF COMPLETION:

June 30, 2026

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

Ms. Diana Hartmann, 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, 2024

CORRECTIVE ACTION PLAN (Continued)

FINDING 2024-003 – Noncompliance with Grant Requirements

CONDITION:

The Regional Office of Education No. 44 submitted inaccurate expenditure reports to the grantor. We noted the total expenditures in the financial statements did not agree with the total expenditures reported to ISBE as follows:

Program	Total Expenditures per Financial Statements	Total Expenditures per Quarterly Reports submitted to ISBE	Difference (Over) Under Stated
ROE/ISC Operations	\$673,513	\$609,244	\$64,269
Regional Safe Schools Program	\$531,164	\$153,624	\$377,540
Regional Safe Schools	\$223,504	\$296,000	(\$74,296)
Elementary and Secondary School Emergency Relief (PY 2024)	\$9,326	\$10,428	(\$1,102)

* *This program's fiscal agent was the Special Education District of McHenry County until December 31, 2023.*

***This is the same program as the Regional Safe Schools Program that the ROE took over the fiscal duties starting January 1, 2024.*

In addition, for the ROE/ISC Operations grant, the Regional Office of Education No. 44 reported salaries of \$43,012 and purchased services of \$2,500 to ISBE but originally presented those expenditures as payment to other governments in their financial statements; and \$31,596 was reported as supplies and materials instead of capital outlay. The Regional Office of Education No. 44 made reclassifications in the financial statements to reflect the proper line items.

In all instances, the Regional Office of Education No. 44 did not submit corrected reports to ISBE.

PLAN:

The Regional Office of Education No. 44 contracted with another external accountant as of July 1, 2025 that will perform the accounting for the Regional Office of Education No. 44. The previously contracted external accountant caused several unnecessary delays, adjustments, and inaccuracies. This period was a transition from one half of the year from a fiscal agent, and the other half of the year with the previous external accountant completing the audit documents. The previous external accountant did not offer a meeting to investigate and make adjustments. It is anticipated that the current external accountant will perform these services in a professional and accurate manner.

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
For the Year Ended June 30, 2024**

CORRECTIVE ACTION PLAN (Continued)

FINDING 2024-003 – Noncompliance with Grant Requirements

ANTICIPATED DATE OF COMPLETION:

June 30, 2026

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

Ms. Diana Hartmann, 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, 2024**

CORRECTIVE ACTION PLAN (Concluded)

FINDING 2024-004 – Delay of Audit (Repeat of Findings 23-003, 22-003, 21-004, 20-004, 19-005 and 18-005)

CONDITION:

The Regional Office of Education No. 44 did not provide complete financial statements in an auditable form by August 31, 2024. The preliminary financial statements provided on June 2, 2025 required material adjustments and the updated financial statements were provided on November 21, 2025.

PLAN:

The Regional Office of Education No. 44 did not renew the contract with the accounting firm utilized during FY2024 and contracted with another external accountant, effective July 1, 2025. The contracted external accountant provides all accounting and liaise with the auditors for the Regional Office of Education No. 44. This change will greatly improve financial statement preparation going forward.

ANTICIPATED DATE OF COMPLETION:

August 31, 2026

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

Ms. Diana Hartmann, 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, 2024

2023-002	Inadequate Internal Control Procedures	Not Repeated
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During the current audit, the Regional Office of Education No. 44 implemented corrective action and internal control procedures were adequate.

BASIC FINANCIAL STATEMENTS

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,566,569	\$ 33,075	\$ 1,599,644
Total Current Assets	<u>1,566,569</u>	<u>33,075</u>	<u>1,599,644</u>
Noncurrent Assets			
Capital Assets, Net of Depreciation	30,412	-	30,412
Total Noncurrent Assets	<u>30,412</u>	<u>-</u>	<u>30,412</u>
Total Assets	<u>1,596,981</u>	<u>33,075</u>	<u>1,630,056</u>
NET POSITION			
Net Investment in Capital Assets	30,412	-	30,412
Restricted for Educational Purposes	875,675	-	875,675
Unrestricted	<u>690,894</u>	<u>33,075</u>	<u>723,969</u>
Total Net Position	<u>\$ 1,596,981</u>	<u>\$ 33,075</u>	<u>\$ 1,630,056</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 ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2024

	Expenses	Program Revenues			Net (Expenses)/Revenue and Changes in Net Position		
		Charges for Services	Operating Grants/Contributions	Governmental Activities	Business-Type Activities	Primary Government	
							Total
Governmental Activities							
25	Instructional Services						
	Salaries and Benefits	\$ 404,178	\$ -	\$ 194,533	\$ (209,645)	\$ -	\$ (209,645)
	Purchased Services	713,042	-	1,460,176	747,134	-	747,134
	Supplies and Materials	32,444	-	16,312	(16,132)	-	(16,132)
	Depreciation	1,184	-	-	(1,184)	-	(1,184)
	Intergovernmental						
	Payments to Other Governments	840,401	-	903,916	63,515	-	63,515
	Capital Outlay	-	-	31,596	31,596	-	31,596
	Administrative						
	On-Behalf Payments - State	312,107	-	-	(312,107)	-	(312,107)
	On-Behalf Payments - Local	316,002	-	-	(316,002)	-	(316,002)
	Total Governmental Activities	2,619,358	-	2,606,533	(12,825)	-	(12,825)
Business-Type Activities							
	Fingerprinting Fees	51,394	56,268	-	-	4,874	4,874
	Total Primary Government	\$ 2,670,752	\$ 56,268	\$ 2,606,533	(12,825)	4,874	(7,951)
General Revenues							
	State Sources			209,155	-	209,155	
	On-Behalf Payments - State			312,107	-	312,107	
	On-Behalf Payments - Local			316,002	-	316,002	
	Investment Earnings			21,025	-	21,025	
	Total General Revenues			858,289	-	858,289	
Change in Net Position							
				845,464	4,874	850,338	
	Net Position - Beginning			751,517	28,201	779,718	
	Net Position - Ending			\$ 1,596,981	\$ 33,075	\$ 1,630,056	

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

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2024

	General Fund	Education Fund	Institute Fund	General Education Development Fund	Transportation Fund	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 1,091,822	\$ 372,739	\$ 10,541	\$ 50,746	\$ 40,721	\$ 1,566,569
Total Assets	<u>\$ 1,091,822</u>	<u>\$ 372,739</u>	<u>\$ 10,541</u>	<u>\$ 50,746</u>	<u>\$ 40,721</u>	<u>\$ 1,566,569</u>
LIABILITIES						
None	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES						
Restricted	-	773,667	10,541	50,746	40,721	875,675
Unassigned	1,091,822	(400,928)	-	-	-	690,894
Total Fund Balances (Deficit)	<u>1,091,822</u>	<u>372,739</u>	<u>10,541</u>	<u>50,746</u>	<u>40,721</u>	<u>1,566,569</u>
Total Liabilities and Fund Balances	<u>\$ 1,091,822</u>	<u>\$ 372,739</u>	<u>\$ 10,541</u>	<u>\$ 50,746</u>	<u>\$ 40,721</u>	<u>\$ 1,566,569</u>

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2024**

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS \$ 1,566,569

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 30,412

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,596,981

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 - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Education Fund	Institute Fund	Development Fund	Transportation Fund	General Education	Total Governmental Funds
Revenues							
Federal Sources	\$ -	\$ 76	\$ 93,687	\$ -	\$ -	\$ 93,763	
State Sources	209,155	1,052,594	-	-	-	-	1,261,749
Local Sources	1,003,935	439,220	-	1,739	15,282	-	1,460,176
On-Behalf Payments - State	312,107	-	-	-	-	-	312,107
On-Behalf Payments - Local	316,002	-	-	-	-	-	316,002
Investment Income	21,025	-	-	-	-	-	21,025
Total Revenues	1,862,224	1,491,890	93,687	1,739	15,282	3,464,822	
Expenditures							
Instructional Services							
Salaries and Benefits	8,610	395,568	-	-	-	-	404,178
Purchased Services	145,580	460,478	93,687	860	12,437	-	713,042
Supplies and Materials	3,487	28,957	-	-	-	-	32,444
Administrative							
On-Behalf Payments - State	312,107	-	-	-	-	-	312,107
On-Behalf Payments - Local	316,002	-	-	-	-	-	316,002
Intergovernmental							
Payments to Other Governments	228,141	612,260	-	-	-	-	840,401
Capital Outlay	-	31,596	-	-	-	-	31,596
Total Expenditures	1,013,927	1,528,859	93,687	860	12,437	2,649,770	
Net Change in Fund Balances	848,297	(36,969)	-	879	2,845	-	815,052
Fund Balances - Beginning	243,525	409,708	10,541	49,867	37,876	-	751,517
Fund Balances - Ending	\$ 1,091,822	\$ 372,739	\$ 10,541	\$ 50,746	\$ 40,721	\$ 1,566,569	

**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 - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024**

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS	\$ 815,052
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Capital outlay	\$ 31,596
Depreciation	(1,184)
	<hr/> <u>30,412</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<hr/> <u>\$ 845,464</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 NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2024**

		Business-Type Activities Enterprise Fund
		Fingerprinting Fund
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$	33,075
Total Assets		<u>33,075</u>
NET POSITION		
Unrestricted		<u>33,075</u>
Total Net Position	\$	<u>33,075</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 - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Business-Type Activities
	<hr/>
Operating Revenues	Enterprise Fund
Charges for Services	\$ 56,268
	<hr/>
Operating Expenses	Fingerprinting Fund
Purchased Services	<hr/> 51,394
	<hr/>
Change in Net Position	4,874
	<hr/>
Net Position - Beginning	28,201
	<hr/>
Net Position - Ending	<u>\$ 33,075</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 - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Business-Type Activities Enterprise Fund	<hr/>
		Fingerprinting Fund
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 56,268	
Payments to suppliers and providers of goods and services	(51,394)	
Payments to employees	-	
Net cash provided by (used for) operating activities	<hr/> 4,874	
Net Increase (Decrease) in Cash and Cash Equivalents	4,874	
Cash and Cash Equivalents - Beginning	<hr/> 28,201	
Cash and Cash Equivalents - Ending	<hr/> \$ 33,075	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Operating Income	\$ 4,874	
Net Cash Provided by (Used For) Operating Activities	<hr/> \$ 4,874	

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 - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2024**

	<u>Custodial Funds</u>
ASSETS	
Cash and Cash Equivalents	
	<u>\$ (94,495)</u>
LIABILITIES	
None	<u>-</u>
NET POSITION	
Restricted for Other Purpose	<u>\$ (94,495)</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 CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Custodial Funds</u>
ADDITIONS	
Collections of state and federal funds from State Board of Education for school districts and other entities	\$ 1,138,785
DEDUCTIONS	
Payments to school districts and other entities	<u>1,241,934</u>
CHANGE IN NET POSITION	
	(103,149)
NET POSITION - BEGINNING	
	<u>8,654</u>
NET POSITION - ENDING	
	<u><u>\$ (94,495)</u></u>

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, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 their control are properly bonded.

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

For the period ended June 30, 2024, 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 modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, as applicable to governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

The Statement of Net Position includes all of the ROE's assets, including capital assets and liabilities in accordance with the modified cash basis of accounting. 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Government-Wide Statements – Continued

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

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

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, liabilities, 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, liabilities, 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, liabilities, 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, 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

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.

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. This program's fiscal agent was the Special Education District of McHenry County until December 31, 2023.

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.

Regional Safe Schools - This fund accounts for the same program as *Regional Safe Schools Program* that the ROE took over the fiscal duties starting January 1, 2024.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Special Revenue Funds – Continued.

Education Fund - Continued:

Elementary and Secondary School Emergency Relief - This program accounts for the proceeds of a grant used to provide educators and parents with professional learning opportunities that drive digital-age learning, integrate technology across subject areas, and help mitigate learning loss due to COVID-19.

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 meetings 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.

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 – Modified Cash Basis, a Statement of Revenues, Expenses and Changes in Fund Net Position – Modified Cash Basis, and a Statement of Cash Flows – Modified Cash Basis for the proprietary fund.

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. The principal operating revenues of the ROE are charges for services for fingerprinting.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Concluded

Fund Financial Statements – Continued

Fiduciary Funds

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

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

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 statements report using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined in the next paragraph, while the governmental fund financial statements, as applied to the modified cash basis of accounting, report using the current financial resources measurement focus. Since the governmental fund financial statements are presented on a different measurement focus than the government-wide statements (due to inclusion of capital assets in the government-wide presentation) a reconciliation is presented, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

Basis of accounting refers to when revenues received and expenses or expenditures disbursed are recognized in the accounts and how they are reported on the financial statements. The ROE maintains its accounting records for all funds on the modified cash basis of accounting. Modified cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions, with the exception of interfund receivables and payables. Their revenues are recognized when they are received, and expenses or expenditures are recognized when paid. Generally accepted accounting principles require the recognition of revenue when it becomes "measurable" and "available" as net current assets and, generally, expenses or expenditures when the related fund liability is incurred.

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, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES, 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.

Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Capital assets are long-lived assets of the ROE as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statements. The valuation basis for capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs, such as donations.

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Concluded

ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE – Concluded

Net Position

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

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, if applicable.

Restricted Net Position - consists of restricted assets reduced by liabilities related to those assets.

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

Management Estimates

The preparation of financial statements, in conformity with the modified cash basis of accounting, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

New Accounting Pronouncements

The ROE has reviewed the Governmental Accounting Standards Board (GASB) Statements that became effective for fiscal year June 30, 2024 and has determined that none of the new Statements were applicable or had an impact on the ROE's financial statements.

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, 2024; 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, 2024, a budgetary comparison schedule is presented for the following required grant programs: ROE/ISC Operations, Regional Safe Schools Program, Regional Safe Schools Cooperative, Regional Safe Schools, and Elementary and Secondary School Emergency Relief (Project Years 2024).

NOTE 3 – DETAIL NOTES ON ALL FUNDS

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Concluded

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.

Deposits and Investments. At June 30, 2024, the carrying amount of the McHenry County Regional Office of Education No. 44's government-wide and fiduciary deposits were \$1,599,644 and (\$94,495), respectively. Of the total bank balances of \$2,109,042, as of June 30, 2024, \$255,000 was secured by federal depository insurance, \$1,457,048 was uninsured or uncollateralized, and \$396,994 was invested in Illinois Funds Money Market Fund.

The Regional Office of Education No. 44's investment policy requires that funds should be invested solely in investments authorized by 30 ILCS 235/2 and 6 and 105 ILCS 5/8-7. As of June 30, 2024, the Regional Office of Education No. 44 had investments with carrying and fair values of \$396,994 invested in the Illinois Funds Money Market Fund.

Credit Risk. At June 30, 2024, the Illinois Funds Money Market Fund had a Fitch's AAammf 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.

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).

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS

Governmental Activities

Governmental capital asset activity for the year was as follows:

	Balances June 30, 2023	Additions	Deletions	Balances June 30, 2024
Governmental Activities:				
<u>Education Fund</u>				
Depreciable Capital Assets				
Equipment	\$ 10,176	\$ 31,596	\$ -	\$ 41,772
Less Accumulated Depreciation				
Equipment	<u>10,176</u>	<u>1,184</u>	<u>-</u>	<u>11,360</u>
Governmental Activities				
Investment in Capital Assets, Net	<u>\$ -</u>	<u>\$ 30,412</u>	<u>\$ -</u>	<u>\$ 30,412</u>

\$1,184 of depreciation expense was charged to the education function in the current year.

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.

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	\$ 131,616
Assistant Regional Superintendent - Salary	118,452
Regional Superintendent - Benefits (includes state paid insurance)	23,789
Assistant Regional Superintendent - Benefits (includes state paid insurance)	38,250
Total On-Behalf Payments - State	<u>\$ 312,107</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

ON-BEHALF PAYMENTS – Concluded

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, including pension, on behalf of the Regional Office. The expenditures paid on the ROE's behalf for the year ended June 30, 2024, were as follows:

Salaries, benefits, and expenses	\$ 236,788
Value of building space	79,214
Total On-Behalf Payments - Local	<u>\$ 316,002</u>

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.

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 or donor restrictions: ROE/ISC Operations, Regional Safe Schools, 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, Regional Safe Schools Program – General State Aid, Regional Safe Schools Program, and Elementary and Secondary School Emergency relief (PY2024).

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE 4 – OTHER INFORMATION

RISK MANAGEMENT

The ROE is exposed to various risks of loss related to torts; theft or 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, 2024.

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.

RETIREMENT SYSTEMS

Illinois Municipal Retirement Fund (IMRF)

Plan Descriptions

Plan Administration. The ROE's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and their beneficiaries. The ROE's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Annual Comprehensive Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE 4 – OTHER INFORMATION – Continued

RETIREMENT SYSTEMS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Plan Descriptions – Concluded

Benefits Provided. IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Contributions. As set by statute, the ROE's Regular Plan Members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The ROE participated starting March 2024. The ROE's annual contribution rate for calendar year 2024 was 0.81%. For the fiscal year ended June 30, 2024, the ROE contributed \$387 to the plan. The ROE also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Because of the use of the modified cash basis of accounting framework in the preparation of these financial statements, the ROE's net pension liability is not reported in the financial statements as a liability. In accordance with the modified cash basis of accounting, pension expenditures are only reported when contributions are paid by the ROE to the plan.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE 4 – OTHER INFORMATION – Continued

RETIREMENT SYSTEMS – Continued

Teachers' Retirement System of the State of Illinois (TRS)

Plan Descriptions, Provisions and Funding Policies

The ROE participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the City of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can only be made by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for TRS's administration. TRS issues a publicly available financial report that can be obtained at <https://www.trsil.org/financial/acfrs>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling 888-678-3675, option 2.

Benefits Provided

TRS provides retirement, disability, and death benefits. Tier 1 members have TRS or reciprocal system service prior to January 1, 2011. Tier 1 members qualify for retirement benefits at age 62 with five years of service, at age 60 with 10 years, or age 55 with 20 years. The benefit is determined by the average of the four highest consecutive years of creditable earnings within the last 10 years of creditable service and at the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2 percent of final average salary up to a maximum of 75 percent with 34 years of service.

Tier 2 members qualify for retirement benefits at age 67 with 10 years of service, or a discounted annuity can be paid at age 62 with 10 years of service. Creditable earnings for retirement purposes are capped and the final average salary is based on the highest consecutive eight years of creditable service rather than the highest four. Disability provisions for Tier 2 are identical to those of Tier 1. Death benefits are payable under a formula that is different than Tier 1.

Essentially all Tier 1 retirees receive an annual 3 percent increase in the current retirement benefit beginning January 1 following the attainment of age 61 or on January 1 following the member's first anniversary in retirement, whichever is later. Tier 2 annual increases will be the lesser of three percent of the original benefit or one-half percent of the rate of inflation beginning January 1 following attainment of age 67 or on January 1 following the member's first anniversary in retirement, whichever is later.

Public Act 100-0023, enacted in 2017, creates an optional Tier 3 hybrid retirement plan, but it has not yet gone into effect. Public Act 100-0587, enacted in 2018, requires TRS to offer two temporary benefit buyout programs that expire on June 30, 2026. One program allows retiring Tier 1 members to receive a partial lump-sum payment in exchange for accepting a lower, delayed annual increase. The other allows inactive vested Tier 1 and 2 members to receive a partial lump-sum payment in lieu of a retirement annuity. Both programs began in 2019 and are funded by bonds issued by the State of Illinois.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE 4 – OTHER INFORMATION – Continued

RETIREMENT SYSTEMS – Continued

Teachers' Retirement System of the State of Illinois (TRS) – Concluded

Plan Descriptions, Provisions and Funding Policies – Concluded

Contributions

The State of Illinois maintains the primary responsibility for funding TRS. The Illinois Pension Code, as amended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90 percent of the total actuarial liabilities of the System by the end of fiscal year 2045.

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2024, was 9.0 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the ROE.

On Behalf Contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the ROE.

2.2 Formula Contributions. Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2024 were \$1,617.

Federal and Special Trust Fund Contributions. When TRS members are paid from federal and special trust funds administered by the employer, there is a statutory requirement for the employer to pay an employer pension contribution from those funds. Under Public Act 100-0340, the federal and special trust fund contribution rate is the total employer normal cost beginning with the year ended June 30, 2018.

Previously, ROE contributions for employees paid from federal and special trust funds were at the same rate as the state contribution rate to TRS and were much higher.

For the year ended June 30, 2024, the employer pension contribution was 10.60 percent of salaries paid from federal and special trust funds. For the fiscal year ended June 30, 2024, there were no salaries paid from federal and special trust funds that required employer contributions.

Employer Retirement Cost Contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The ROE is required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary.

A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2024, the ROE made no payments to TRS for employer contributions due on salary increases in excess of 6 percent or for sick leave days granted in excess of the normal annual allotment.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE 4 – OTHER INFORMATION – Continued

RETIREMENT SYSTEMS – Continued

Teacher Health Insurance Security Fund

Plan Description

The ROE participates in the Teachers' Health Insurance Security (THIS) Fund. The THIS fund is a non-appropriated trust fund held outside the State Treasury, with the State Treasurer as custodian. Additions deposited into the Trust are for the sole purpose of providing the health benefits to retirees, as established under the plan, and associated administrative cost. The THIS fund is a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that covers retired employees of participating employers throughout the State of Illinois, excluding Chicago Public School System. THIS health coverage includes provisions for medical, prescription, and behavioral health benefits, but does not provide vision, dental, or life insurance benefits. Annuitants may participate in the State administered Preferred Provider Organization plan or choose from several managed care options. As a result of the Governor's Executive Order 12-01, the responsibilities in relation to THIS were transferred to the Department of Central Management Services (Department) as of July 1, 2013. The Department administers the plan with the cooperation of the Teachers' Retirement System (TRS).

Benefits Provided

The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.5) outlines the eligibility and benefit provisions of the THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The plan is administered by the CMS with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 required all active contributors to TRS who are not employees of the State to make a contribution to the THIS Fund.

A percentage of employer required contributions in the future will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

On-behalf Contributions to the THIS Fund

The State of Illinois makes employer retiree health insurance contributions on behalf of the ROE.

Employer Contributions to the THIS Fund

The ROE also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.67 percent during the year ended June 30, 2024. For the year ended June 30, 2024, the ROE paid \$1,868 to the THIS Fund, which was 100 percent of the required contribution.

Further Information on the THIS Fund

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General: <http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>. The current reports are listed under "Central Management Services." Prior reports are available under "Healthcare and Family Services."

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE 4 – OTHER INFORMATION – Concluded

LEASE COMMITMENTS

The ROE leases classroom located at 3913 Mercy Drive, McHenry, Illinois for \$5,700 per month. The lease term was from July 1, 2023 to June 30, 2028.

Rent for the year ended June 30, 2024 was \$68,400. Future minimum rentals are as follows for the year ending June 30:

2025	\$ 68,400
2026	68,400
2027	68,400
2028	68,400
	<u>\$273,600</u>

SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 15, 2026, the date when the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

SCHEDULE 1

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
COMBINING SCHEDULE OF ACCOUNTS - MODIFIED CASH BASIS
GENERAL FUND
JUNE 30, 2024

	General Fund	Regional Safe Schools Program-General State Aid	Total General Fund
ASSETS			
Cash and Cash Equivalents	\$ 1,091,022	\$ 800	\$ 1,091,822
Total Assets	<u>\$ 1,091,022</u>	<u>\$ 800</u>	<u>\$ 1,091,822</u>
LIABILITIES			
None	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES			
Unassigned	1,091,022	800	1,091,822
Total Fund Balances	<u>1,091,022</u>	<u>800</u>	<u>1,091,822</u>
Total Liabilities and Fund Balances	<u>\$ 1,091,022</u>	<u>\$ 800</u>	<u>\$ 1,091,822</u>

SCHEDULE 2

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 MODIFIED CASH BASIS**

**GENERAL FUND ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2024**

	General Fund	Regional Safe Schools Program- General State Aid	Total General Fund
Revenues			
State Sources	\$ -	\$ 209,155	\$ 209,155
Local Sources	1,003,935	-	1,003,935
On-Behalf Payments - State	312,107	-	312,107
On-Behalf Payments - Local	316,002	-	316,002
Investment Earnings	21,025	-	21,025
Total Revenues	1,653,069	209,155	1,862,224
Expenditures			
Instructional Services			
Salaries and Benefits	8,610	-	8,610
Purchased Services	145,580	-	145,580
Supplies and Materials	3,487	-	3,487
Administrative			
On-Behalf Payments - State	312,107	-	312,107
On-Behalf Payments - Local	316,002	-	316,002
Intergovernmental			
Payments to Other Governments	-	228,141	228,141
Total Expenditures	785,786	228,141	1,013,927
Net Change in Fund Balances	867,283	(18,986)	848,297
Fund Balances - Beginning	223,739	19,786	243,525
Fund Balances - Ending	\$ 1,091,022	\$ 800	\$ 1,091,822

SCHEDULE 3

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
COMBINING SCHEDULE OF ACCOUNTS - MODIFIED CASH BASIS
EDUCATION FUND
JUNE 30, 2024

	ROE/ISC Operations	Regional Safe Schools Program	Regional Safe Schools Cooperative	Regional Safe Schools	Emergency Relief (PY 2024)	Elementary and Secondary School	Total Education Fund
ASSETS							
Cash and Cash Equivalents	\$ 208,019	\$ (391,678)	\$ -	\$ 565,648	\$ (9,250)	\$ 372,739	
Total Assets	<u>208,019</u>	<u>(391,678)</u>	<u>-</u>	<u>565,648</u>	<u>(9,250)</u>	<u>372,739</u>	
LIABILITIES							
None	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Restricted	208,019	-	-	565,648	-	773,667	
Unassigned	-	(391,678)	-	-	(9,250)	(400,928)	
Total Fund Balances (Deficit)	<u>208,019</u>	<u>(391,678)</u>	<u>-</u>	<u>565,648</u>	<u>(9,250)</u>	<u>372,739</u>	
Total Liabilities and Fund Balances	<u>\$ 208,019</u>	<u>\$ (391,678)</u>	<u>\$ -</u>	<u>\$ 565,648</u>	<u>\$ (9,250)</u>	<u>\$ 372,739</u>	

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
EDUCATION FUND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2024

	ROE/ISC Operations	Regional Safe Schools Program	Regional Safe Schools Cooperative	Regional Safe Schools	Elementary and Secondary School Emergency Relief (PY 2024)	Total Education Fund
Revenues						
Federal Sources	\$ -	\$ -	\$ -	\$ -	\$ 76	76
State Sources	477,756	139,486	85,352	350,000	-	1,052,594
Local Sources	68	-	-	439,152	-	439,220
Total Revenues	477,824	139,486	85,352	789,152	76	1,491,890
Expenditures						
Instructional Services						
Salaries and Benefits	194,533	-	43,012	149,731	8,292	395,568
Purchased Services	395,816	-	2,500	62,162	-	460,478
Supplies and Materials	16,312	-	-	11,611	1,034	28,957
Intergovernmental						
Payments to Other Governments	35,256	531,164	45,840	-	-	612,260
Capital Outlay	31,596	-	-	-	-	31,596
Total Expenditures	673,513	531,164	91,352	223,504	9,326	1,528,859
Net Change in Fund Balances	(195,689)	(391,678)	(6,000)	565,648	(9,250)	(36,969)
Fund Balances - Beginning	403,708	-	6,000	-	-	409,708
Fund Balances - Ending	\$ 208,019	\$ (391,678)	\$ 565,648	\$ (9,250)	\$ 372,739	

SCHEDULE 5

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
EDUCATION FUND ACCOUNT
ROE/ISC OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budget</u>		
	Original	Final	Actual
Revenues			
State Sources	\$ 477,756	\$ 477,756	\$ 477,756
Local Sources	-	-	68
	<u>477,756</u>	<u>477,756</u>	<u>477,824</u>
Expenditures			
Improvement of Instruction Services			
Salaries and Benefits	243,756	275,756	194,533
Purchased Services	197,000	162,500	395,816
Supplies and Materials	37,000	39,500	16,312
Capital Outlay	-	-	31,596
Intergovernmental			
Payments to Other Governments	-	-	35,256
Total Expenditures	<u>477,756</u>	<u>477,756</u>	<u>673,513</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(195,689)</u>
Fund Balance - Beginning			<u>403,708</u>
Fund Balance - Ending			<u>\$ 208,019</u>

SCHEDULE 6

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
EDUCATION FUND ACCOUNT
REGIONAL SAFE SCHOOLS PROGRAM
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budget</u>		
	Original	Final	Actual
Revenues			
State Sources	\$ 159,033	\$ 153,624	<u>\$ 139,486</u>
Expenditures			
Intergovernmental			
Payments to Other Governments	<u>159,033</u>	<u>153,624</u>	<u>531,164</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(391,678)</u>
Fund Balance - Beginning			-
Fund Balance - Ending			<u>\$ (391,678)</u>

SCHEDULE 7

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
EDUCATION FUND ACCOUNT
REGIONAL SAFE SCHOOLS COOPERATIVE
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budget</u>		
	Original	Final	Actual
Revenues			
State Sources	\$ 78,817	\$ 85,352	\$ 85,352
Expenditures			
Instructional Services			
Salaries and Benefits	-	43,012	43,012
Purchased Services	-	2,500	2,500
Supplies and Materials	-	-	-
Intergovernmental			
Payments to Other Governments	78,817	39,840	45,840
Total Expenditures	<u>78,817</u>	<u>85,352</u>	<u>91,352</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(6,000)</u>
Fund Balance - Beginning			<u>6,000</u>
Fund Balance - Ending			<u>\$ -</u>

SCHEDULE 8

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
EDUCATION FUND ACCOUNT
REGIONAL SAFE SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2024

	Budget		
	Original	Final	Actual
Revenues			
State Sources	\$ 344,591	\$ 350,000	\$ 350,000
Local Sources	-	-	439,152
	<u>344,591</u>	<u>350,000</u>	<u>789,152</u>
Expenditures			
Instructional Services			
Salaries and Benefits	165,000	205,880	149,731
Purchased Services	153,591	96,000	62,162
Supplies and Materials	26,000	48,120	11,611
Total Expenditures	<u>344,591</u>	<u>350,000</u>	<u>223,504</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>565,648</u>
Fund Balance - Beginning			-
Fund Balance - Ending			<u>\$ 565,648</u>

SCHEDULE 9

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
EDUCATION FUND ACCOUNT
ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF
(PROJECT YEAR 2024)
FOR THE YEAR ENDED JUNE 30, 2024

	Budget		
	Original	Final	Actual
Revenues			
Federal Sources	\$ 10,428	\$ 10,428	\$ 76
Expenditures			
Instructional Services			
Salaries and Benefits	8,292	8,292	8,292
Supplies and Materials	560	560	1,034
Total Expenditures	<u>10,428</u>	<u>10,428</u>	<u>9,326</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(9,250)</u>
Fund Balance - Beginning			-
Fund Balance - Ending			<u>\$ (9,250)</u>

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
COMBINING STATEMENT OF FIDUCIARY NET POSITION -
MODIFIED CASH BASIS
CUSTODIAL FUNDS
JUNE 30, 2024

	Regional Board of School Trustees	Distributive Fund	Totals
ASSETS			
Cash and Cash Equivalents	\$ 1,311	\$ (95,806)	\$ (94,495)
LIABILITIES			
None	-	-	-
NET POSITION			
Restricted for Other Purpose	<u>\$ 1,311</u>	<u>\$ (95,806)</u>	<u>\$ (94,495)</u>

McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
MODIFIED CASH BASIS
CUSTODIAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Regional Board of School Trustees	Distributive Fund	Total
ADDITIONS			
Collections of state and federal funds from State Board of Education for school districts and other entities	\$ -	\$ 1,138,785	\$ 1,138,785
DEDUCTIONS			
Payments to school districts and other entities		- 1,241,934	<u>1,241,934</u>
CHANGE IN NET POSITION			
	-	(103,149)	(103,149)
NET POSITION - BEGINNING			
	1,311	7,343	<u>8,654</u>
NET POSITION - ENDING			
	<u>\$ 1,311</u>	<u>\$ (95,806)</u>	<u>\$ (94,495)</u>

SCHEDULE 12

**McHENRY COUNTY
REGIONAL OFFICE OF EDUCATION NO. 44
SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT
TREASURERS AND OTHER ENTITIES - MODIFIED CASH BASIS
DISTRIBUTIVE FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>McHenry County Co-op</u>
CTE - Perkins - Secondary	\$ 368,286
Career & Technical Education Improvement	<u>873,648</u>
	<u><u>\$ 1,241,934</u></u>