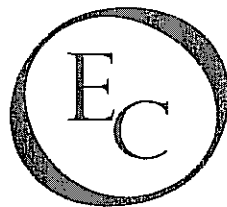


**STATE OF ILLINOIS
KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
FOR THE YEAR ENDED JUNE 30, 2007**

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



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31

TABLE OF CONTENTS

	PAGE
OFFICIALS	1
COMPLIANCE REPORT SUMMARY	2
FINANCIAL STATEMENT REPORT SUMMARY	4
 FINANCIAL SECTION	
Independent Auditors' Report	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	7
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	9
Schedule of Findings and Questioned Costs	11
Financial Statement Findings	12
Federal Award Findings	14
Corrective Action Plan for Current Year Audit Findings	15
Summary Schedule of Prior Audit Findings	17
Management's Discussion and Analysis	18
 EXHIBIT	
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	A 25
Statement of Activities	B 26

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31

TABLE OF CONTENTS (CONTINUED)

	EXHIBIT	PAGE
BASIC FINANCIAL STATEMENTS (Continued)		
Fund Financial Statements		
Governmental Funds - Balance Sheet.....	C.....	27
Governmental Funds - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	D.....	28
Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances.....	E.....	29
Governmental Funds - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	F.....	30
Proprietary Funds - Statement of Net Assets.....	G.....	31
Proprietary Funds - Statement of Revenues, Expenses and Changes in Fund Net Assets.....	H.....	32
Proprietary Funds - Statement of Cash Flows.....	I.....	33
Fiduciary Funds - Statement of Fiduciary Net Assets.....	J.....	34
Notes to Financial Statements.....		35

REQUIRED SUPPLEMENTARY INFORMATION

Illinois Municipal Retirement Fund - Schedule of Funding Progress	53
---	----

SUPPLEMENTARY INFORMATION

	SCHEDULE	
General Fund:		
Combining Schedule of Accounts.....	1.....	54
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	2.....	55
Budgetary Comparison Schedule.....	3.....	56
Education Fund:		
Combining Schedule of Accounts.....	4.....	57
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	5.....	60
Budgetary Comparison Schedule.....	6.....	63
Nonmajor Special Revenue Funds:		
Combining Balance Sheet.....	7.....	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	8.....	66

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31

TABLE OF CONTENTS (CONTINUED)

	SCHEDULE	PAGE
SUPPLEMENTARY INFORMATION (Continued)		
Nonmajor Proprietary Funds:		
Combining Statement of Net Assets.....	9	67
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets.....	10	68
Combining Statement of Cash Flows.....	11	69
Fiduciary Funds:		
Combining Statement of Fiduciary Net Assets.....	12	70
Combining Statement of Changes in Assets and Liabilities.....	13	71
Schedule of Disbursements to School District Treasurers and Others.....	14	72
FEDERAL COMPLIANCE SECTION		
Schedule of Expenditures of Federal Awards.....	15	73
Notes to Schedule of Expenditures of Federal Awards.....		74

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
OFFICIALS**

Regional Superintendent (July 1, 2007 to present)	Mr. Douglas Johnson
Regional Superintendent (during the audit period)	Dr. Clem Mejia
Assistant Regional Superintendent (current and during the audit period)	Ms. Julie Vallejo
Associate Regional Superintendent (July 1, 2007 to present)	Mr. Harrison Schneider
Associate Regional Superintendent (during the audit period)	Mr. Douglas Johnson

Office is located at:

210 S. Sixth Street,
Geneva, Illinois, 60134

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
COMPLIANCE REPORT SUMMARY**

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

AUDITORS' REPORTS

The auditors' reports on compliance and on internal controls 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	1	3
Repeated audit findings	—	1
Prior recommendations implemented or not repeated	3	2

Details of audit findings are presented in a separately tabbed report section.

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Prior Finding Code</u>
		<i>FINDINGS (GOVERNMENT AUDITING STANDARDS)</i>	
07-1	12	Improper Recording of Transactions and Beginning Balances in the General Ledger	N/A
		<i>FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)</i>	
	14	None	N/A
		<i>PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)</i>	
	17	Controls Over Compliance with Laws and Regulations	06-1
	17	Inadequate Controls Over Disposal of Property and Equipment	06-2
	17	Improper Accounting of Transactions	06-3
		<i>PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)</i>	
		None	

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
JUNE 30, 2007**

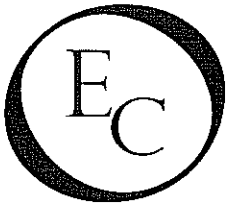
EXIT CONFERENCE

The Kane County Regional Office of Education No. 31 opted not to have an exit conference during the financial audit for the year ended June 30, 2007. Responses to the recommendations were provided by Mr. Douglas Johnson in a letter dated April 21, 2008.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
FINANCIAL STATEMENT REPORT SUMMARY**

The audit of the accompanying basic financial statements of the Kane County Regional Office of Education No. 31 was performed by E. C. Ortiz & Co., LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Kane County Regional Office of Education No. 31's basic financial statements.



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kane County Regional Office of Education No. 31, as of and for the year ended June 30, 2007, which collectively comprise the Kane County Regional Office of Education No. 31's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Kane County Regional Office of Education No. 31's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Kane County Regional Office of Education No. 31, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

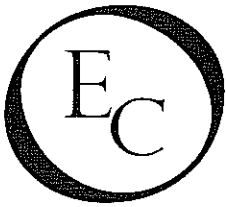
In accordance with *Government Auditing Standards*, we have also issued a report dated June 10, 2008 on our consideration of the Kane County Regional Office of Education No. 31's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Illinois Municipal Retirement Fund Schedule of Funding Progress on pages 18 through 24 and page 53 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kane County Regional Office of Education No. 31's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Disbursements to School District Treasurers and Others are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Others, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

E. C. Ortiz & Co. LLP

Chicago, Illinois
June 10, 2008



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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kane County Regional Office of Education No. 31, as of and for the year ended June 30, 2007, which collectively comprise the Kane County Regional Office of Education No. 31's basic financial statements and have issued our report thereon dated June 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Kane County Regional Office of Education No. 31's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Kane County Regional Office of Education No. 31's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Kane County Regional Office of Education No. 31's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that

a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting, 07-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, we consider the significant deficiency noted above, 07-1, to be a material weakness.

Compliance and Other Matters

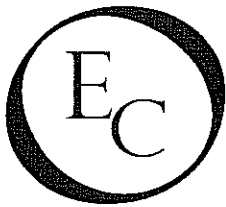
As part of obtaining reasonable assurance about whether the Kane County Regional Office of Education No. 31's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item, 07-1.

The Kane County Regional Office of Education No. 31's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Kane County Regional Office of Education No. 31's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, others within the organization, the Illinois State Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

E. C. Ortiz & Co. LLP

Chicago, Illinois
June 10, 2008



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of the Kane County Regional Office of Education No. 31 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Kane County Regional Office of Education No. 31's major federal programs are identified in the Summary of the Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Kane County Regional Office of Education No. 31's management. Our responsibility is to express an opinion on the Kane County Regional Office of Education No. 31's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Kane County Regional Office of Education No. 31's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Kane County Regional Office of Education No. 31's compliance with those requirements.

In our opinion, the Kane County Regional Office of Education No. 31 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Kane County Regional Office of Education No. 31 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Kane County Regional Office of Education No. 31's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Kane County Regional Office of Education No. 31's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, others within the organization, Illinois State Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

E. C. Ortig & Co. LLP

Chicago, Illinois
June 10, 2008

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Part I: Summary of the Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.196A	McKinney Education for Homeless Children
84.010A	Title I - School Improvement & Accountability

Dollar threshold used to distinguish between type A and type B Programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Part II: Finding Related to the Financial Statements

FINDING NO. 07-1 - Improper Recording of Transactions and Beginning Balances in the General Ledger

Criteria/Specific Requirements:

The Illinois Administrative Code (74 Ill. Adm. 420.320 (c) (1) and (2) requires that each Regional Office of Education (ROE) maintain the accounting records necessary to prepare financial statements in accordance with generally accepted accounting principles. In addition, the *Illinois Program Accounting Manual (IPAM)* and the *ROE Accounting Manual* provide guidance to ensure that complete and accurate financial information is recorded and used as a basis in preparing the ROE's financial statements.

Condition:

Auditors noted the following during the review of the Kane County Regional Office of Education No. 31's general ledger:

- The Kane County Regional Office of Education No. 31 did not properly record the beginning balances of certain assets, liabilities and fund balances, such as investments totaling \$502,054; accounts receivable totaling \$148,412; due from other governmental units totaling \$77,458; accounts payable totaling \$514,402; due to other governmental units totaling \$258,809; deferred revenues totaling \$70,909; and fund balances totaling \$526,555.
- A certificate of deposit amounting to \$98,494 was invested under the General Fund - Regional Program Development. Upon maturity, the investments account of the Education Fund - Youth Home was erroneously credited instead of the General Fund - Regional Program Development, resulting in a negative balance in the investments account of the Education Fund - Youth Home.
- Proceeds from maturity of a certificate of deposit amounting to \$209,237 were erroneously credited to revenues instead of investments in the Regional Program Development account. The transaction resulted in an overstatement of revenues in the General Fund during the year.

The inaccurate beginning balances which were carried forward to the current fiscal year's general ledger resulted in an unbalanced trial balance. Numerous adjustments were required to properly record these transactions and to present financial statements in accordance with generally accepted accounting principles.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Part II: Finding Related to the Basic Financial Statements (Continued)

FINDING NO. 07-1 - Improper Recording of Transactions and Beginning Balances in the General Ledger (Continued)

Effect:

Failure to properly record transactions and account balances may result in inaccurate and incomplete financial statements.

Cause:

The Kane County Regional Office of Education No. 31 converted to a new accounting system starting FY 2007. A review of the beginning account balances was not thoroughly performed due to the turnover in the Finance Director position.

Recommendation:

We recommend that the Kane County Regional Office of Education No. 31 implement comprehensive review procedures to ensure that the transactions and account balances are properly recorded in accordance with generally accepted accounting principles.

Management's Response:

We agree with the recommendation. The new Director of Finance will make adjustments to the beginning balances in the general ledger using the corrected beginning balance as reflected in the audit report. Comprehensive review procedures will be implemented fully utilizing the new finance system to ensure that future transactions are properly recorded in accordance with generally accepted accounting principles.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Part III. Findings and Questioned Costs for Federal Awards

INSTANCES OF NONCOMPLIANCE:

None

SIGNIFICANT DEFICIENCIES:

None

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDING
JUNE 30, 2007**

FINDING NO. 07-1 - Improper Recording of Transactions and Beginning Balances in the General Ledger

Condition:

Auditors noted the following during the review of the Kane County Regional Office of Education No. 31's general ledger:

- The Kane County Regional Office of Education No. 31 did not properly record the beginning balances of certain assets, liabilities and fund balances, such as investments totaling \$502,054; accounts receivable totaling \$148,412; due from other governmental units totaling \$77,458; accounts payable totaling \$514,402; due to other governmental units totaling \$258,809; deferred revenues totaling \$70,909; and fund balances totaling \$526,555.
- A certificate of deposit amounting to \$98,494 was invested under the General Fund - Regional Program Development. Upon maturity, the investments account of the Education Fund - Youth Home was erroneously credited instead of the General Fund - Regional Program Development, resulting in a negative balance in the investments account of the Education Fund - Youth Home.
- Proceeds from maturity of a certificate of deposit amounting to \$209,237 were erroneously credited to revenues instead of investments in the Regional Program Development account. The transaction resulted in an overstatement of revenues in the General Fund during the year.

The inaccurate beginning balances which were carried forward to the current fiscal year's general ledger resulted in an unbalanced trial balance. Numerous adjustments were required to properly record these transactions and to present financial statements in accordance with generally accepted accounting principles.

Plan:

The new Director of Finance will make adjustments to the beginning balances in the general ledger using the corrected beginning balance as reflected in the audit report. Comprehensive review procedures will be implemented fully utilizing the new finance system to ensure that future transactions are properly recorded in accordance with generally accepted accounting principles.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDING
JUNE 30, 2007**

Anticipated Date of Completion:

As soon as possible.

Name of Contact Person:

Tom Campeggio, Finance Director

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
06-1	Controls Over Compliance with Laws and Regulations A. Public Act 95-496 repealed the requirements of 105 ILCS 5/3-14.11. B. Public Act 95-496 repealed the requirements of 105 ILCS 5/3-14.5.	Resolved
06-2	Inadequate Controls Over Disposal of Property and Equipment	Resolved
06-3	Improper Accounting of Transactions	Resolved

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

This discussion and analysis of the Kane County Regional Office of Education's financial report provides an overview of the financial activities for the year ended June 30, 2007 with comparative information for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the ROE's performance as a whole. Readers should review the financial statements and any notes to the basic financial statements to assist them in understanding the role of the ROE, its operations and financial condition.

The purpose of the Kane County Regional Office of Education is to promote quality education for the citizens of the Kane County Educational Service Region by acting as an advocate for education, providing leadership, performing regulatory functions as directed by the Illinois State Board of Education and the Illinois School Code, providing access to needed resources and disseminating information to school districts, educators and the community.

Mission

The mission of the Kane County Regional Office of Education is to provide leadership in the learning community by developing educational resources, facilitating learning and collaborating with all educational partners.

Education Service Region

The Kane County Regional Office of Education serves over 125,000 students, which includes 114,344 public school students and 11,000 private/parochial students. Our region includes nine (K-12) unit districts, two community college districts, 160 public school buildings and over 9,000 public/private school teachers.

Overview/Issues

Again, there were some programs that were required under the Illinois School Code that did not receive continued funding or were reduced for this fiscal year. Although legislation was enacted to make some of these programs optional, the expectation from our constituents is that we continue and even expand the programs. The need does not go away for programs such as the Illinois Administrator's Academy and Gifted Education. A major funding source for Professional Development comes from the ROE/ISC budget which flows through the Illinois State Board of Education budget. Our ROE school services budget continued to be reduced since the last fiscal year with the expectation that we maintain or expand services to our school districts. The need to build and maintain an enterprise fund so that ROEs can provide needed services to our schools and personnel in the future, without relying on total State support is critical. In addition, as funding at the County level gets more competitive and there are less funds to distribute locally, County Boards are looking to the ROE to set aside funds from the various grants received to contribute to such items as rent, utilities, building maintenance and other items, which previously had been provided by the County.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

We will again be allocating funds next fiscal year to these items and to an upcoming move of our Office to a new facility where we haven't been asked to contribute in past years. We continue to show student growth in our area and to have several new schools built every year in our region. Our overall budget for next year will reflect some deduction in new line items and maintenance of present programs at this year's level. We will continue to aggressively pursue new grants and opportunities to be able to expand the services provided by our Office and to provide funding and resources for our local school districts.

2007 Financial Highlights

- Within the Governmental Funds, the General Fund revenues decreased by \$66,639 (12%) from \$562,375 in FY 2006 to \$495,736 in FY 2007. General Fund expenditures decreased by \$999,477 (50%) from \$2,003,998 in FY 2006 to \$1,004,521 in FY 2007.
- Within the Governmental Funds, the Special Fund revenue decreased by \$248,670 (5%) from \$4,601,779 in FY 2006 to \$4,353,109 in FY 2007. The Special Fund expenditures increased by \$224,036 (6%) from \$3,882,704 in FY 2006 to \$4,106,740 in FY 2007.
- The Enterprise Fund revenue increased by \$5,761 (1%) from \$452,095 in FY 2006 to \$457,856 in FY 2007. The Enterprise Fund expenditures decreased by \$191,879 (24%) from \$786,039 in FY 2006 to \$594,160 in FY 2007.

The funds that comprise the budget for the Kane County ROE are derived from various sources of revenue. About 90% of the funds to operate and maintain services come from State and Federal grants that are on a July 1 - June 30 fiscal year. The remaining 10% of the operating budget is obtained from the County of Kane. This does not include the County's contribution of facilities, utilities, high-speed internet access and other miscellaneous/salary costs. The County is on a December 1 - November 30 fiscal year.

The major revenues received from State and Federal sources were the following: ROE/ISC Operations - \$231,245, Regional Safe Schools Initiative - \$926,134; Truancy and Optional Education - \$319,283; General State Aid - \$251,658; Title I - School Improvement & Accountability - \$919,422; McKinney Homeless grant - \$436,795; and Youth Home Education - \$910,092.

Using This Report

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

- *Management's Discussion and Analysis* introduces financial statements and provides an analytical overview of the Regional Office's financial activities.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

- The *Government-wide financial statements* consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Regional Office of Education as a whole and present an overall view of the Office's finances.
- Fund financial statements report the Regional Office's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the financial statements provide additional information that is needed for a full understanding of the data provided in the basic financial statements.
- Required supplementary information further explains the financial statements and supplementary information provides detailed information about the non-major funds.

The Statement of Net Assets and the Statement of Activities

Government-wide Financial Statements

The Government-wide statements report information about the ROE No. 31 as a whole. The Statement of Net Assets includes all of the assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid using Generally Accepted Accounting Principles and GASB 34.

The Government-wide statements report the Office's net assets and how they have changed. Net assets- the difference between assets and liabilities- are one way to measure the Office's financial health or position.

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

Fund Financial Statements

The fund financial statements provide detailed information about the ROE No. 31's funds. Funds are accounting devices that allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by state law. The ROE No. 31 established other funds to control and manage money for particular purposes.

The Office has three kinds of funds:

- Governmental Funds account for those funds through which most governmental functions of the Office are financed. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at the year-end that are available for spending. Consequently, the governmental fund statements provide a

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Office's programs. The governmental funds required financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- Proprietary Funds account for resources from fees charged directly to those entities or individuals that use its services. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by government-wide financial statements. The proprietary funds required financial statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.
- Fiduciary Funds are used to account for assets held by the ROE No. 31 in a trust capacity or as an agent for individuals and private or governmental organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds required financial statements include a Statement of Fiduciary Net Assets.

Government-Wide Financial Analysis

As noted earlier, net assets may serve when examined over time as one indicator of the financial position of the ROE No. 31. The net assets at the end of FY 2007 and FY 2006 totaled \$2,017,702 and \$2,447,138, respectively. The analysis that follows provides a summary of the ROE No. 31's net assets as of June 30.

CONDENSED STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
ASSETS						
Current assets	\$ 2,481,707	\$ 2,629,461	\$ 245,334	\$ 385,514	\$ 2,727,041	\$ 3,014,975
Capital assets, net of depreciation	227,674	258,390	19,674	17,893	247,348	276,283
TOTAL ASSETS	2,709,381	2,887,851	265,008	403,407	2,974,389	3,291,258
Current liabilities	915,116	800,454	41,571	43,666	956,687	844,120
TOTAL LIABILITIES	915,116	800,454	41,571	43,666	956,687	844,120
NET ASSETS						
Invested in capital assets, net of related debt	227,674	258,390	19,674	17,893	247,348	276,283
Restricted for teacher professional development	421,316	512,650	-	-	421,316	512,650
Unrestricted	1,145,275	1,316,357	203,763	341,848	1,349,038	1,658,205
TOTAL NET ASSETS	\$ 1,794,265	\$ 2,087,397	\$ 223,437	\$ 359,741	\$ 2,017,702	\$ 2,447,138

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

The ROE No. 31's net assets decreased by \$429,436 (18%) from FY 2007. The decrease occurred in both Governmental and Proprietary Funds. In addition, net assets related to the Teacher Institute Fund are considered restricted for teacher professional development.

CHANGES IN NET ASSETS

The following analysis shows the changes in net assets for the years ended June 30, 2006 and 2007.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 197,457	\$ 213,956	\$ 446,923	\$ 445,556	\$ 644,380	\$ 659,512
Operating grants and contributions	4,292,039	4,361,941	-	-	4,292,039	4,361,941
General revenues:						
State and local sources	15,113	218,091	-	-	15,113	218,091
Interest	112,852	143,651	10,933	6,539	123,785	150,190
On-behalf payments	231,384	226,515	-	-	231,384	226,515
Loss on disposal of assets	(1,196)	-	-	-	(1,196)	-
Total revenues	4,847,649	5,164,154	457,856	452,095	5,305,505	5,616,249
Expenses:						
Salaries	1,194,609	1,091,454	5,077	55,622	1,199,686	1,147,076
Benefits	368,389	344,703	1,298	10,224	369,687	354,927
Purchased services	1,510,777	2,379,596	566,044	447,154	2,076,821	2,826,750
Supplies and materials	246,458	223,931	14,064	12,473	260,522	236,404
Capital expenditures	2,917	878	440	-	3,357	878
Depreciation	97,679	108,245	7,237	5,710	104,916	113,955
Payments to other governmental units	1,488,568	1,280,067	-	224,000	1,488,568	1,504,067
Miscellaneous	-	216,618	-	30,856	-	247,474
On-behalf payments	231,384	226,515	-	-	231,384	226,515
Total expenses	5,140,781	5,872,007	594,160	786,039	5,734,941	6,658,046
Loss before operating transfers	(293,132)	(707,853)	(136,304)	(333,944)	(429,436)	(1,041,797)
Operating transfers	-	(79,093)	-	79,093	-	-
Change in net assets	(293,132)	(786,946)	(136,304)	(254,851)	(429,436)	(1,041,797)
Net assets, beginning	2,087,397	2,874,343	359,741	614,592	2,447,138	3,488,935
Net assets, ending	<u>\$ 1,794,265</u>	<u>\$ 2,087,397</u>	<u>\$ 223,437</u>	<u>\$ 359,741</u>	<u>\$ 2,017,702</u>	<u>\$ 2,447,138</u>

Governmental Activities

Revenues for governmental activities were \$4,847,649 and expenses were \$5,140,781. The decrease in Education Fund revenues is mainly due to the reduced funds received for the McKinney Education for Homeless grant which decreased by \$140,856 in comparison to the

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

FY 2006 funding. Title I Reading First grants were closed out in FY 2007, thus revenues decreased by \$156,216. The Youth Home Education fund also decreased by \$60,754 due to the decrease in the number of participants in the program. Consequently, operating expenditures were proportionally decreased to meet the funding level.

Business-Type Activities

Revenues for business-type activities were \$457,856 and expenditures were \$594,160. The net increase in revenues and expenditures is attributed to the increase in Technology workshops as well as the increase in background investigations conducted in FY 2007.

Financial Analysis of the ROE No. 31 Funds

As previously noted, the ROE No. 31 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Kane County Regional Office of Education No. 31's Governmental Funds reported combined fund balances were \$1,566,591.

Governmental Fund Highlights

- The Illinois State Board of Education line item was not increased to support for school services.
- County support for the Regional Office of Education No. 31 remained at level funding.
- There was an increase in the state aid foundation level to \$5,334 per student from \$4,964. This helped to off-set the reduction in the grant dollars provided for the Safe Schools Program.

Proprietary Fund Highlights

Total proprietary fund net assets decreased by \$136,304 (38%). This is attributed to the increase in purchased services related to Technology and other local workshops.

Fiduciary Fund Highlights

There was a decrease of \$80,915 (96%) in total fiduciary funds for FY 2007. Transactions during FY 2007 represent mainly transfers in and out of funds for the Distributive Fund.

Budgetary Highlights

The ROE No. 31 annually prepares budgets for several funds which serve as a guideline for activities and expenditures. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the County Board for their approval. The Office Operations Budget covers a fiscal year which runs from December 1 to November 30. All

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

grant budgets are prepared by the Regional Office of Education No. 31 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency. Additionally, all Regional Office of Education funds are reported and included in our annual report. In addition, the Institute Fund is printed in a newspaper of general circulation in Kane County.

Capital Assets

ROE No. 31's capital assets include office equipment, computers, audio-visual equipment, and office furniture. The ROE No. 31 maintains an inventory of capital assets which have been accumulated over time. For FY 2007, total additions and retirements amounted to \$77,177 and \$68,394, respectively. Depreciation expense for FY 2007 was \$104,916.

Economic Factors and Next Years' Budget

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

- The state aid foundation level has increased to \$5,734 per student.
- The interest rate on investments remains low and will impact interest earned.
- Most grants have remained near or at previous levels.
- County Board support for Regional Office of Education No. 31 increased by 3% over FY07.

Contacting the Kane County Regional Office

This financial report is designed to provide the Regional Office's citizens, taxpayers, clients, and other constituents with a general overview of its finances and to demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the Regional Office of Education No. 31 at 210 South Sixth Street, Geneva, IL 60134. For a more detailed analysis and explanation of operations and programs, the complete FY 2007 Annual Report is posted on the Kane County ROE website at <http://www.kaneroe.org>.

BASIC FINANCIAL STATEMENTS

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 STATEMENT OF NET ASSETS
 JUNE 30, 2007

EXHIBIT A

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,113,246	\$ 147,809	\$ 2,261,055
Accounts receivable	1,208	-	1,208
Due from other governmental agencies	367,253	97,525	464,778
Total current assets	<u>2,481,707</u>	<u>245,334</u>	<u>2,727,041</u>
Noncurrent assets			
Capital assets, net	<u>227,674</u>	<u>19,674</u>	<u>247,348</u>
TOTAL ASSETS	<u>2,709,381</u>	<u>265,008</u>	<u>2,974,389</u>
LIABILITIES			
Accounts payable and accrued expenses	473,074	4,314	477,388
Due to other governmental agencies	<u>442,042</u>	<u>37,257</u>	<u>479,299</u>
TOTAL LIABILITIES	<u>915,116</u>	<u>41,571</u>	<u>956,687</u>
NET ASSETS			
Invested in capital assets, net of related debt	227,674	19,674	247,348
Restricted for teacher professional development	421,316	-	421,316
Unrestricted	<u>1,145,275</u>	<u>203,763</u>	<u>1,349,038</u>
TOTAL NET ASSETS	<u>\$ 1,794,265</u>	<u>\$ 223,437</u>	<u>\$ 2,017,702</u>

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contribution	Primary Government		Total
				Governmental Activities	Business-Type Activities	
FUNCTIONS/PROGRAMS						
Primary government						
Governmental activities:						
Instructional services						
Salaries	\$ 1,194,609	\$ -	\$ 1,107,346	\$ (87,263)	\$ -	\$ (87,263)
Benefits	368,389	-	343,363	(25,026)	-	(25,026)
Purchased services	1,510,777	124,856	1,253,275	(132,646)	-	(132,646)
Supplies and materials	246,458	25,200	197,434	(23,824)	-	(23,824)
Capital expenditures	2,917	-	64,381	61,464	-	61,464
Depreciation expense	97,679	-	-	(97,679)	-	(97,679)
Payments to other governments	1,488,568	47,401	1,326,240	(114,927)	-	(114,927)
Administrative						
On-behalf payments	231,384	-	-	(231,384)	-	(231,384)
Total governmental activities	5,140,781	197,457	4,292,039	(651,285)	-	(651,285)
Business-type activities:						
Professional development	594,160	446,923	-	-	(147,237)	(147,237)
Total business-type activities	594,160	446,923	-	-	(147,237)	(147,237)
Total primary government	\$ 5,734,941	\$ 644,380	\$ 4,292,039	(651,285)	(147,237)	(798,522)
General revenues:						
Local sources						
Intergovernmental				15,113	-	15,113
Interest				112,852	10,933	123,785
On-behalf payments				231,384	-	231,384
Loss on disposal of assets				(1,196)	-	(1,196)
Total general revenues and transfers				358,153	10,933	369,086
Change in net assets				(293,132)	(136,304)	(429,436)
Net assets - beginning				2,087,397	359,741	2,447,138
Net assets - ending				\$ 1,794,265	\$ 223,437	\$ 2,017,702

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 JUNE 30, 2007

EXHIBIT C

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 364,594	\$ 1,071,921	\$ 448,046	\$ 228,685	\$ 2,113,246
Accounts receivable	-	-	1,208	-	1,208
Due from other funds	9,427	29,570	-	-	38,997
Due from other governmental agencies	-	364,102	-	3,151	367,253
TOTAL ASSETS	374,021	1,465,593	449,254	231,836	2,520,704

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable and accrued expenses	15,448	424,769	27,426	5,431	473,074
Due to other funds	29,570	9,427	-	-	38,997
Due to other governmental agencies	-	440,860	512	670	442,042
Total liabilities	45,018	875,056	27,938	6,101	954,113

FUND BALANCES

Unreserved, reported in:					
General fund	329,003	-	-	-	329,003
Special revenue funds	-	590,537	421,316	225,735	1,237,588
Total fund balances	329,003	590,537	421,316	225,735	1,566,591

TOTAL LIABILITIES AND FUND BALANCES	\$ 374,021	\$ 1,465,593	\$ 449,254	\$ 231,836	\$ 2,520,704
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**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

EXHIBIT D

Total fund balances - governmental funds	\$	1,566,591
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		<u>227,674</u>
Net assets of governmental activities	\$	<u><u>1,794,265</u></u>

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
GOVERNMENTAL FUNDS

EXHIBIT E

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
REVENUES					
Federal sources	\$ -	\$ 1,521,908	\$ -	\$ -	\$ 1,521,908
State sources	231,245	2,536,446	-	2,440	2,770,131
Local sources					
Intergovernmental	15,113	-	-	14,049	29,162
Fees for services	-	-	132,410	50,998	183,408
Interest	17,994	56,645	26,199	12,014	112,852
On-behalf payments	231,384	-	-	-	231,384
Total revenues	495,736	4,114,999	158,609	79,501	4,848,845
EXPENDITURES					
Current:					
Instructional services:					
Salaries	137,516	1,033,346	-	23,747	1,194,609
Benefits	35,374	327,208	-	5,807	368,389
Purchased services	595,836	719,279	158,044	37,618	1,510,777
Supplies and materials	3,312	210,984	31,899	263	246,458
Capital expenditures	1,099	69,977	-	-	71,076
Payments to other governments	-	1,428,568	60,000	-	1,488,568
On-behalf payments	231,384	-	-	-	231,384
Total expenditures	1,004,521	3,789,362	249,943	67,435	5,111,261
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(508,785)	325,637	(91,334)	12,066	(262,416)
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	645,141	(645,141)	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES	136,356	(319,504)	(91,334)	12,066	(262,416)
FUND BALANCES, BEGINNING OF YEAR	192,647	910,041	512,650	213,669	1,829,007
FUND BALANCES, END OF YEAR	\$ 329,003	\$ 590,537	\$ 421,316	\$ 225,735	\$ 1,566,591

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
GOVERNMENTAL FUNDS

EXHIBIT F

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Net change in fund balances \$ (262,416)

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 expenditures	68,159
Depreciation expense	(97,679)
Net book value of assets disposed of	<u>(1,196)</u>

Change in net assets of governmental activities \$ (293,132)

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2007**

EXHIBIT G

	<u>Business Type Activities - Enterprise Funds</u>
	<u>Nonmajor Proprietary Funds</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 147,809
Due from other governmental agencies	97,525
Total current assets	<u>245,334</u>
Noncurrent assets	
Capital assets, net	<u>19,674</u>
TOTAL ASSETS	<u>265,008</u>
LIABILITIES	
Accounts payable and accrued expenses	4,314
Due to other government agencies	<u>37,257</u>
TOTAL LIABILITIES	<u>41,571</u>
NET ASSETS	
Invested in capital assets, net of related debt	19,674
Unrestricted	<u>203,763</u>
TOTAL NET ASSETS	<u>\$ 223,437</u>

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2007**

EXHIBIT H

	Business Type Activities - Enterprise Funds
	Nonmajor Proprietary Funds
OPERATING REVENUES	
Local sources	
Intergovernmental	\$ 170,379
Fees for services	276,544
Total operating revenues	<u>446,923</u>
OPERATING EXPENSES	
Salaries	5,077
Benefits	1,298
Purchased services	566,044
Supplies and materials	14,064
Depreciation	7,237
Capital expenditures	440
Total operating expenses	<u>594,160</u>
OPERATING LOSS	(147,237)
NONOPERATING REVENUES	
Interest	<u>10,933</u>
CHANGE IN NET ASSETS	(136,304)
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>359,741</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 223,437</u>

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2007**

EXHIBIT I

	Business Type Activities - Enterprise Funds
	Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts for workshops and services	\$ 492,532
Payments to suppliers	(589,018)
Net cash used in operating activities	<u>(96,486)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITY:	
Purchase of capital assets	(9,018)
Net cash used in capital financing activity	<u>(9,018)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investments	145,000
Interest	10,933
Net cash provided by investing activities	<u>155,933</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	50,429
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>97,380</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 147,809</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (147,237)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	7,237
Effects of changes in assets and liabilities:	
Accounts receivable	45,609
Accounts payable and accrued expenses	(2,245)
Due to other governmental agencies	150
Net cash used in operating activities	<u>\$ (96,486)</u>

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007**

EXHIBIT J

ASSETS

Cash and cash equivalents	<u>\$ 3,127</u>
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LIABILITIES

Due to other governmental agencies	<u>\$ 3,127</u>
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The notes to the financial statements are an integral part of this statement.

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Kane County Regional Office of Education No. 31 operates under the School Code (Articles 3 and 3A of Illinois Compiled Statutes, Chapter 105). The Regional Superintendent of Schools (Superintendent) serves as chief administrative officer of the Regional Office of Education No. 31 and is elected to the position for a four year term pursuant to Article 3 of Illinois Compiled Statutes, Chapter 105. The principal financial duty of the Superintendent is to receive and distribute monies due to school districts from general state aid, state categorical grants, and various other sources.

The superintendent's responsibilities for administering the school educational service region programs include, but are not limited to, providing directions to teachers and school officials on science, art and teaching methods; implementing the State Board of Education's Policy Programs; encouraging camaraderie among teachers' institute; making public notice of unfilled teaching positions within the region; and ensuring of the safety, health and welfare of the students in the region by periodically inspecting the school buildings and ensuring that the bus drivers have valid driving licenses and are properly trained to operate the school buses.

These are the only activities considered to be part of (controlled by or dependent on) the Kane County Regional Office of Education No. 31, as determined by the application of the criteria set forth in Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity. The criteria for inclusion of an entity include, but are not limited to, legal standing, fiscal dependency, imposition of will and potential for financial benefit or burden.

Kane County Regional Office of Education No. 31 has determined that no other outside agency meets any of the above criteria and, therefore, no other agency has been included as a component unit in the financial statements. Furthermore, the Kane County Regional Office of Education No. 31 does not consider itself to be a component unit of any other entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between those activities of the ROE that are governmental in nature and those that are considered business-type activities. *Governmental activities* normally are supported by operating grants and contributions,

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

charges for services and intergovernmental revenues. *Business-type activities* normally are supported by amounts assessed or received from local sources for the ROE programs.

The Statement of Net Assets presents the Kane County Regional Office of Education No. 31's nonfiduciary assets and liabilities with the differences reported as net assets. Net assets of the ROE are classified as follows:

Invested in Capital Assets - represent the ROE's total investment in capital assets. There is no outstanding debt related to these assets at this time.

Restricted Net Assets - represent resources in which the ROE is legally obligated to spend in accordance with restrictions imposed by enabling legislation.

Unrestricted Net Assets - represent resources used for transactions relating to the general operations of the ROE and may be used at the discretion of management to meet expenses for any purpose.

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 or segment. Program revenues include (1) charges to users who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. New Accounting Pronouncement

Effective July 1, 2006, the Kane County Regional Office of Education No. 31 adopted GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans and supersedes the interim guidance included in Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*.

There was no significant impact on the Kane County Regional Office of Education No. 31's financial statements as a result of adopting the above statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of Kane County Regional Office of Education No. 31 are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Kane County Regional Office of Education No. 31 applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

Governmental fund and fiduciary financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Kane County Regional Office of Education No. 31 considers revenues as available if they are collected within 60 days after year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict the guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the ROE's policy to use restricted resources first, then unrestricted resources as they are needed.

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

E. Fund Accounting

The accounts of the Kane County Regional Office of Education No. 31 are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. The resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following summarizes the fund types used:

Governmental Fund Types

Governmental Funds are those through which most governmental functions are financed. The acquisition, use and balances of the expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund - Accounts for resources traditionally associated with government which are not required, legally or by sound financial management, to be accounted for in another fund. The general fund is reported as a major governmental fund in the financial statements. The following are included in the general funds:

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

Regional Program Development - This program provides for the general improvement and expansion of education within Kane County Regional Office of Education No. 31 including the educational program for the students at the Juvenile Justice Center (Youth Home Education).

Special Revenue Funds - Accounts for the proceeds of specific revenue sources (other than those accounted for in the Fiduciary Funds) that are legally restricted to expenditures for specified purposes. The Kane County Regional Office of Education No. 31 reported the following special revenue funds as major governmental funds.

Education Fund - Accounts for state and federal grant monies received for, and payment of, expenditures incurred in administering numerous grant awards which include:

Learning Technology Center (Formerly ROE/ISC Technology) - Program designed to support learning technology services to the local school districts.

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Federal Special Education - IDEA Flow-Through - Funds used to enhance the capacity of schools to safely and effectively educate all students by applying research-based behavior support systems that maximize academic achievement of student and teacher outcomes.

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

General State Aid - Accounts for grant monies received for, and payment of expenditures for regional learning academy supplements.

Truants' Alternative and Optional Education Program (TAP) - Accounts for resources and payment of expenditures to provide support service and evaluate compliance with recommendations to Kane and DeKalb County truants and their parents. TAP was established under a grant from the State of Illinois.

SOS - Q4 Teacher Quality - System of Support, Quadrant Four is a State coordination and services grant for improving teacher quality through professional development. Funds were received by the Professional Development Alliance and provided to Regional System of Support Providers (RESPROs).

Title II - Teacher Quality Leadership - Accounts for grant monies received for, and payment of, expenditures incurred in providing workshops to teachers for improvement of instruction in the classroom.

FY 04/FY 05/FY 06 Title I - Reading First Part B SEA Funds / Reading First Coordinator / Reading First Technical Assistant - Funds provide assistance to school districts in establishing reading programs for students in kindergarten through third grade that are based on scientifically based reading research. Reading first also focuses on teacher development and ensuring that all teachers, including special education teachers, have the tools they need to effectively help their students learn to read.

Title I - School Improvement & Accountability - Accounts for federal monies received for, and payment of, expenditures of the Title I - Accountability grant. This grant provides school districts with funds to carry out their school improvement and corrective action responsibilities under Section 1116(c) of Title I while offering students in schools identified for improvement and corrective action the opportunity to transfer to another

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

higher performing public school, including a public charter within the district.

McKinney Education for Homeless Children - Accounts for grant monies received for and payment of, expenditures associated with a Federal program designed to provide counseling and educational support to homeless children and their families. The programs are funded by a Federal Stewart B. McKinney Education for Homeless Children and Youth Grant administered through the Illinois State Board of Education.

Youth Home Education - Funds are used to provide an educational program for the students at the Juvenile Justice Center.

Standards Aligned Classroom - Funds are used to offer additional opportunities for teachers and administrators to gain knowledge and skills in aligning classroom level curriculum and assessment to the Illinois Learning Standards.

Pre-School Monitoring - Funds are used to reimburse personnel who evaluate pre-schools that receive funds from the universal pre-school program initiated in 2006 by the Governor's office.

Institute Fund - Accounts for fees collected for the registration and renewal of teaching certificates. 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 expense of any general or special meeting of teachers or school personnel, which has been approved by the Kane County Regional Office of Education No. 31. All funds generated remain restricted until expended only on the aforementioned activities.

Nonmajor Special Revenue Funds - The Kane County Regional Office of Education No. 31 reported the following special revenue funds as non-major governmental funds.

General Education Development (GED) - Accounts for the revenues and expenditures associated with the processing of applications for the high school level test of General Education Development and the issuance of diplomas upon the successful completion of the examination.

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Bus Driver Training - Accounts for the revenues received from individuals and contractors to sponsor instructional training courses for school bus drivers.

Supervisory - Accounts for travel and other expenditures necessary to perform the duty of supervising the school districts in Kane County Regional Office of Education No. 31. This fund includes the balance of the Payroll Clearing Fund.

Local Truancy - Accounts for revenues received from local sources to address the truancy problem in Kane County.

Proprietary Fund Types

Enterprise Funds - to account for resources from fees charged directly to those entities or individuals that use its services.

Nonmajor Proprietary Funds - the Kane County Regional Office of Education No. 31 reported the following proprietary funds as non-major funds:

Education Service Center (ESC) Professional Development Local 2 - This fund was created to maintain control of all revenues and expenses from workshops conducted by Kane County Regional Office of Education No. 31.

Visual Media Cooperative - Accounts for funds received and disbursed by the Superintendent as administrative agent for the Kane County Visual Media Cooperative. The Visual Media Cooperative is a cooperative of school districts, which maintains a library of educational films. New and replacement films and videos are financed from rental charges to users.

Technology - A collaboration between the Northeastern Illinois Regional Offices of Education to provide computer workshops for the teachers of Northern Illinois. This fund is locally funded by Area 1, which is made of the Northeastern Illinois Regional Offices of Education.

Local Counselors Academy - Accounts for local revenues and disbursements related to Counselors Academy Program.

Criminal Background Investigation - Accounts for the assessments received from the school districts to pay for the processing of fingerprinting the substitute teachers and expenditures incurred providing this service to the school districts.

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Kane County Human Resources Consortium - Used to account for monies received for, and partial payment of, expenditures for the Kane County Human Resources Consortium program.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held in a trustee capacity or as an agent for individuals or private or governmental organizations. The Fiduciary Funds include the following:

Agency Funds - The Agency Funds are used to account for assets held as an agent for individuals, private organizations, other governmental units and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of operations. The Agency Funds include the following:

Payroll - Accounts for all payroll that is incurred. Any fund that has payroll remits the money to the Payroll Fund, the Fund then pays the employee. This is an administrative agent for the ROE's payroll.

Juvenile Drug Court - The ROE provides fiscal support to the Sixteenth Judicial Circuit for a program to assist juvenile drug offenders in DeKalb, Kane and Kendall Counties. The program is funded by a grant from the City of Aurora.

Distributive Fund - The Distributive Fund accounts for state and federal revenues and assets held by Kane County Regional Office of Education No. 31 as an agent for the school districts within the jurisdiction. These funds are custodial in nature and do not involve measurement of the results of operations. The amounts due to the school districts are equal to the assets.

F. Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the ROE receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the ROE must provide local resources to be

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

used for specific purpose, and expenditure requirements, in which the resources are provided to the ROE on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

G. Cash and Cash Equivalents

For presentation in the financial statements, investments with an original maturity of three months or less at the time they are purchased by the ROE are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

H. Capital Assets

Capital assets result from expenditures in the governmental and proprietary funds. These assets are reported in the governmental and business-type activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements for the governmental funds.

Capital assets are recorded at cost at time of acquisition or fair value at the date of donation. The ROE capitalizes items costing \$500 or more. Depreciation is calculated on a straight-line basis over the estimated useful lives (five to seven years) of the respective assets.

I. Deferred Revenues

The ROE reports unearned deferred revenue in the governmental fund Balance Sheet. Deferred and unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period.

J. Management Estimates

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

K. Budgets and Budgetary Accounting

Kane County Regional Office of Education No. 31 did not formally adopt a budget for the year ended June 30, 2007 and is not legally required to do so. The Illinois State Board of Education requires budgets for certain State and Federal programs. These budgets were used to prepare the Budgetary Comparison Schedules for the following programs:

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

General Fund:

- ROE/ISC Operations

Special Revenue Funds:

- Learning Technology Center (Formerly ROE/ISC Technology)
- Regional Safe Schools
- Truants' Alternative and Optional Education Program (TAP)
- McKinney Education for Homeless Children

L. Revenue from Federal and State Grants

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

NOTE 2 - CASH AND INVESTMENTS

Deposits

The Kane County Regional Office of Education No. 31 utilizes several different bank accounts for its various activities. The book balance of such accounts is \$2,264,182 at June 30, 2007, while the bank balance was \$2,414,676. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2007.

Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, the ROE's deposits may not be recovered. The ROE does not have a formal investment policy that addresses custodial credit risk. Originally, GASB Statement No. 3 discussed three categories of custodial credit risk as follows:

Category 1 includes deposits covered by depository insurance or collateral held by Kane County Regional Office of Education No. 31 in its name.

Category 2 includes deposits covered by collateral held by the financial institutions in a pledged safekeeping account in the name of Kane County Regional Office of Education No. 31.

Category 3 includes deposits which are uncollateralized or the collateral is held by the financial institution trust department but not in the name of Kane County Regional Office of Education No. 31.

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

The ROE's deposits are covered by the Federal Deposit Insurance Corporation (FDIC) and by collateral held by the financial institution in the ROE's name. Although deposit balances classified under the traditional risk categories of 1 and 2 have been determined under GASB Statement No. 40 to be exposed to only minimal risk, and, based on this conclusion, the GASB chose to limit disclosure of custodial credit risk to deposits that meet the definition of "Category 3", the ROE has decided to include categories 1 and 2 in the discussion. The following table reflects the ROE's level of risk as of June 30, 2007:

	<u>Bank Balance</u>
Category 1	\$ 250,000
Category 2	2,074,510
Category 3	-
Exempt	90,166
Total	<u>\$ 2,414,676</u>

The exempt funds are those deposited into the Illinois Funds.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The ROE's policy for reducing its exposure to the risk is to structure the ROE's portfolio so that securities mature to meet the ROE's cash requirements for ongoing operations. The ROE's investments as of June 30, 2007 are limited to the investment in the State investment pool (Illinois Funds).

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ROE's policy for managing its exposure to the risk is to limit investments to those allowable by the Illinois Public Funds Investment Act. As of June 30, 2007, the ROE's investment in the State investment pool (Illinois Funds) was rated AAAM by Standard & Poor's.

NOTE 3 - DUE TO/FROM OTHER GOVERNMENTAL AGENCIES

The Kane County Regional Office of Education No. 31's General Fund, Special Revenue Fund and Agency Fund have funds due to and from various other governmental units which consist of the following:

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Due From Other Governmental Agencies:	
Will County ROE - Professional Development Alliance	\$ 331,700
Local School Districts	100,676
School Association for Special Education in DuPage County	21,645
Illinois State Board of Education	<u>10,757</u>
Total	<u>\$ 464,778</u>

Due To Other Governmental Agencies:	
Local School Districts	\$ 478,787
Illinois State Board of Education	<u>512</u>
Total	<u>\$ 479,299</u>

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2007 is as follows:

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
GOVERNMENTAL FUNDS				
Furniture and equipment	\$ 784,984	\$ 68,159	\$ 68,394	\$ 784,749
Less: accumulated depreciation	<u>(526,594)</u>	<u>(97,679)</u>	<u>(67,198)</u>	<u>(557,075)</u>
Capital assets, net	<u>\$ 258,390</u>	<u>(\$ 29,520)</u>	<u>\$ 1,196</u>	<u>\$ 227,674</u>
PROPRIETARY FUNDS				
Equipment	\$ 25,886	\$ 9,018	\$ -	\$ 34,904
Less: accumulated depreciation	<u>(7,993)</u>	<u>(7,237)</u>	<u>-</u>	<u>(15,230)</u>
Capital assets, net	<u>\$ 17,893</u>	<u>\$ 1,781</u>	<u>\$ -</u>	<u>\$ 19,674</u>

NOTE 5 - DISTRIBUTIVE FUND INTEREST

Interest earned on the Distributive Fund's cash and investments is periodically distributed to each participating school district based on the school district's enrollment.

NOTE 6 - SALARIES AND PENSION PLAN CONTRIBUTIONS

The salaries of the Regional Superintendent and the Associate Regional Superintendent are paid by the State of Illinois. The salaries of all other employees of the Kane County Regional Office of Education No. 31 are paid by Kane County. Pension plan contributions associated with these salaries are also paid either by the State of Illinois or Kane County.

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

The Kane County Regional Office of Education No. 31 reimburses Kane County for salaries paid as well as the employer contributions made to the Illinois Municipal Retirement Fund (IMRF). Pension plan obligations for Kane County Regional Office of Education No. 31 employees (except for visual media personnel) are included in the statistics IMRF provides to Kane County.

NOTE 7 - RETIREMENT FUND COMMITMENTS

Teachers' Retirement System of the State of Illinois

The Kane County Regional Office of Education No. 31 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. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 2007 was 9.4 percent of their creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The employer THIS Fund contribution was 0.60 percent during the year ended June 30, 2007, and the member THIS Fund health insurance contribution was 0.80 percent.

The State of Illinois makes contributions directly to TRS on behalf of the Kane County Regional Office of Education No. 31's TRS-covered employees.

- **On-Behalf Contributions.** The State of Illinois makes employer pension contributions on behalf of Kane County Regional Office of Education No. 31. For the year ended June 30, 2007, the State of Illinois contributions were based on 9.78 percent of creditable earnings, and Kane County Regional Office of Education No. 31, recognized revenue and expenditures of \$29,522 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2006 and June 30, 2005, the State of Illinois contribution rates as percentages of creditable earnings were 7.06 percent (\$26,156) and 11.76 percent (\$38,442), respectively. The state contributions to TRS for the years ended June 30, 2007 and June 30, 2006 were based on dollar amounts specified by the statute

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

and were not actuarially determined. The state contributions for the year ended June 30, 2005 were based on an actuarial formula.

The Kane County Regional Office of Education No. 31 makes other types of employer contributions directly to TRS.

- **2.2 Formula Contributions.** Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. The rate is specified by statute. Contributions for the year ended June 30, 2007 were \$1,751. Contributions for the years ended June 30, 2006, and June 30, 2005, were \$1,984 and \$1,896 respectively.
- **Federal and Trust Fund Contributions.** When TRS members are paid from federal and trust funds administered by Kane County Regional Office of Education No. 31, there is a statutory requirement for Kane County Regional Office of Education No. 31 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and trust funds will be the same as the state contribution rate to TRS. For the year ended June 30, 2007, the employer pension contribution was 9.78 percent of salaries paid from federal and trust funds. For the year ended June 30, 2006, the employer contribution was 7.06 percent of salaries paid from federal and trust funds. For the year ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2007, salaries totaling \$77,696 were paid from federal and trust funds that required employer contributions of \$7,599. For the years ended June 30, 2006 and June 30, 2005, required Kane County Regional Office of Education No. 31 contributions were \$7,665 and \$8,578, respectively.
- **Early Retirement Option.** Kane County Regional Office of Education No. 31 is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member and under which ERO program the member retires. Under Public Act 94-0004, a "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007. If members do not meet these conditions, they can retire under the "Modified ERO" program which requires higher member and employer contributions to TRS. Also, under Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service (unless the member qualifies for the Pipeline ERO). Under the ERO program that expired on June 30, 2005 and the Pipeline ERO, the maximum employer contribution is 100 percent of the member's highest salary used in the final average salary calculation. Under the Modified ERO, the maximum employer contribution is 117.5 percent. Both the 100 percent and 117.5 percent maximums apply

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

when the member is age 55 at retirement. For the year ended June 30, 2007, the Kane County Regional Office of Education No. 31 paid \$0 to TRS for employer contributions under the Pipeline ERO and Modified ERO programs. For the years ended June 30, 2006 and June 30, 2005, the Kane County Regional Office of Education No. 31 paid \$0 and \$0 in employer ERO contributions, respectively.

- **Salary Increases Over 6 Percent and Excess Sick Leave.** Public Act 94-0004 added two new employer contributions to TRS.
 - If an employer grants salary increases over 6 percent and those salaries are used to calculate a retiree's final average salary, the employer makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases of up to 6 percent. For the years ended June 30, 2007 and June 30, 2006, the Kane County Regional Office of Education No. 31 did not have any payments to TRS for employer contributions due on salary increases in excess of 6 percent.
 - If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary used to calculate final average salary, and the TRS total normal cost rate (17.60 percent of salary during the year ended June 30, 2007). For the years ended June 30, 2007 and June 30, 2006, the Kane County Regional Office of Education No. 31 did not have any employer contributions granted for sick leave days in excess of the normal annual allotment.

TRS financial information, an explanation of TRS' benefits, and descriptions of member, employer and State funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2006. The report for the year ended June 30, 2007, is expected to be available in late 2007. The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, IL 62794-9253. The most current report is also available on the TRS web site at trs.illinois.gov.

Illinois Municipal Retirement Fund

The Kane County Regional Office of Education No. 31 defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

IMRF issues a financial report that includes financial statements and required supplementary information. That report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by State statute. Kane County Regional Office of Education No. 31 is required to contribute at an actuarially determined rate. The employer rate for calendar year 2006 was 0.00% percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2006 was 5 years.

For December 31, 2006, Kane County Regional Office of Education No. 31's annual pension cost of \$0 was equal to Kane County Regional Office of Education No. 31's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expense), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2006 actuarial valuation were based on the 2002-2004 experience study.

TREND INFORMATION

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/06	\$ —	100%	\$ —
12/31/05	—	100%	—
12/31/04	—	100%	—
12/31/03	—	100%	—
12/31/02	—	100%	—
12/31/01	—	100%	—
12/31/00	35	100%	—
12/31/99	—	100%	—
12/31/98	—	100%	—
12/31/97	894	100%	—

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 8 - DEFICIT FUND BALANCES

The following funds have deficit fund balances as of June 30, 2007:

ROE/ISC Operations	\$	4,172
Learning Technology Center (Formerly ROE/ISC Technology)		1,333
SOS - Q4 Teacher Quality		639
Total Deficit Fund Balances	<u>\$</u>	<u>6,144</u>

Above deficit fund balances are expected to correct themselves through payments from the State, receipts from local sources and interest income in the next fiscal year.

NOTE 9 - INTERFUND TRANSACTIONS

(a) Due From (To) Other Funds

The following is a summary of amounts due from (to) other funds as of June 30, 2007:

Fund	Due From Other Funds	Due To Other Funds
General Fund - Regional Program Development	\$ 9,427	\$ -
General Fund - Regional Program Development	-	29,570
Education Fund - McKinney Education for Homeless Children	29,570	-
Education Fund - McKinney Education for Homeless Children	-	5,000
Education Fund - Pre-School Monitoring	-	4,427
Total	<u>\$ 38,997</u>	<u>\$ 38,997</u>

(b) Transfers From (To) Other Funds

The composition of interfund transfers for the year ended June 30, 2007 is as follows:

Fund	Transfers-out	Transfers-in
General Fund - Regional Program Development	\$ -	\$ 645,141
Education Fund - Youth Home Education	653,208	-
Education Fund - SOS - 04 Teacher Quality	1,300	-
Education Fund - Title 1 - Reading First Part B SEA Funds	3,977	-
Education Fund - Title 1 - School Improvement & Accountability	-	1,300
Education Fund - McKinney Education for Homeless Children	-	29,570
Education Fund - Standards Aligned Classroom	17,526	-
Proprietary Funds - Local Counselors Academy	-	38,000
Proprietary Funds - ESC Professional Development	38,000	-
Total	<u>\$ 714,011</u>	<u>\$ 714,011</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 10 - ON-BEHALF PAYMENTS

The breakdown of the on-behalf payments by the State of Illinois for the Regional Superintendent and the Associate Regional Superintendent of the Kane County Regional Office of Education No. 31 are as follows:

Regional Superintendent's salary	\$ 88,540
Regional Superintendent's fringe benefits (includes State paid insurance)	21,244
Associate Regional Superintendent's salary	79,686
Associate Regional Superintendent's fringe benefits (includes State paid insurance)	12,392
TRS Contributions	<u>29,522</u>
Total	<u>\$ 231,384</u>

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

**REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MANAGEMENT DISCUSSION AND ANALYSIS)**

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
REQUIRED SUPPLEMENTARY SCHEDULE
JUNE 30, 2007**

**ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/06	\$42,971	\$38,136	(\$ 4,835)	112.68%	\$ -	0.00%
12/31/05	39,735	36,357	(3,378)	109.29%	-	N/A
12/31/04	36,912	34,983	(1,929)	105.51%	-	N/A
12/31/03	35,405	32,550	(2,855)	108.77%	-	N/A
12/31/02	36,844	30,249	(6,595)	121.80%	-	N/A
12/31/01	36,844	28,200	(8,644)	130.65%	-	N/A
12/31/00	35,413	26,815	(8,598)	132.06%	-	N/A
12/31/99	31,535	24,678	(6,857)	127.79%	-	N/A
12/31/98	27,340	27,750	410	98.52%	-	N/A
12/31/97	24,270	24,312	42	99.83%	-	N/A

On a market value basis, the actuarial value of assets as of December 31, 2006 is \$45,255.
On a market basis, the funded ratio would be 118.67%.

***Digest of Changes**

The actuarial assumptions used to determine the actuarial accrued liability for 2006 are based on the 2002-2004 Experience Study. The principal changes were:

- The 1994 Group Annuity Mortality implemented.
- For Regular members, fewer normal and more early retirements are expected to occur.

SLEP Member contribution rate changed from 6.50% to 7.50% effective June 1, 2006.

SUPPLEMENTARY INFORMATION

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
GENERAL FUND
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2007**

SCHEDULE 1

	ROE/ISC Operations	Regional Program Development	Total
ASSETS			
Cash and cash equivalents	\$ 11,276	\$ 353,318	\$ 364,594
Due from other funds	-	9,427	9,427
TOTAL ASSETS	11,276	362,745	374,021
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	15,448	-	15,448
Due to other funds	-	29,570	29,570
Total liabilities	<u>15,448</u>	<u>29,570</u>	<u>45,018</u>
FUND BALANCES			
Unreserved	<u>(4,172)</u>	<u>333,175</u>	<u>329,003</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,276	\$ 362,745	374,021

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007**

SCHEDULE 2

	ROE/ISC Operations	Regional Program Development	Total
REVENUES			
State sources	\$ 231,245	\$ -	\$ 231,245
Local sources			
Intergovernmental	-	15,113	15,113
Interest	54	17,940	17,994
On-behalf payments	231,384	-	231,384
Total revenues	<u>462,683</u>	<u>33,053</u>	<u>495,736</u>
EXPENDITURES			
Salaries	137,516	-	137,516
Benefits	35,374	-	35,374
Purchased services	56,978	538,858	595,836
Supplies and materials	2,247	1,065	3,312
Capital expenditures	-	1,099	1,099
On-behalf payments	231,384	-	231,384
Total expenditures	<u>463,499</u>	<u>541,022</u>	<u>1,004,521</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(816)	(507,969)	(508,785)
OTHER FINANCING SOURCE			
Transfers in	-	645,141	645,141
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCE OVER EXPENDITURES	(816)	137,172	136,356
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>(3,356)</u>	<u>196,003</u>	<u>192,647</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ (4,172)</u>	<u>\$ 333,175</u>	<u>\$ 329,003</u>

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

SCHEDULE 3

	ROE/ISC Operations		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
State sources	\$ 231,245	\$ 231,245	\$ -
Local sources			
Interest	-	54	54
On-behalf payments	-	231,384	231,384
Total revenues	<u>231,245</u>	<u>462,683</u>	<u>231,438</u>
EXPENDITURES			
Salaries	137,363	137,516	(153)
Benefits	39,268	35,374	3,894
Purchased services	51,869	56,978	(5,109)
Supplies and materials	2,745	2,247	498
On-behalf payments	-	231,384	(231,384)
Total expenditures	<u>231,245</u>	<u>463,499</u>	<u>(232,254)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>(816)</u>	<u>\$ (816)</u>
FUND DEFICIT, BEGINNING OF YEAR		<u>(3,356)</u>	
FUND DEFICIT, END OF YEAR		<u>\$ (4,172)</u>	

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2007

SCHEDULE 4

	Learning Technology Center (Formerly ROE/ISC Technology)	Federal Special Education - IDEA Flow-Through	Regional Safe Schools	General State Aid	Truants' Alternative and Optional Education Program (TAP)	SOS - Q4 Teacher Quality
ASSETS						
Cash and cash equivalents (overdrafts)	\$ 2,716	\$ (13,741)	\$ 170,598	\$ 143,855	\$ 57,276	\$ (5,826)
Due from other funds	-	-	-	-	-	-
Due from other governmental agencies	-	21,645	-	-	-	6,650
TOTAL ASSETS	2,716	7,904	170,598	143,855	57,276	824

LIABILITIES AND FUND BALANCES

LIABILITIES						
Accounts payable and accrued expenses	4,049	6,781	50,601	8,637	39,268	1,463
Due to other funds	-	-	-	-	-	-
Due to other governmental agencies	-	-	111,405	-	-	-
Total liabilities	4,049	6,781	162,006	8,637	39,268	1,463
FUND BALANCES						
Unreserved	(1,333)	1,123	8,592	135,218	18,008	(639)
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,716	\$ 7,904	\$ 170,598	\$ 143,855	\$ 57,276	\$ 824

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2007

SCHEDULE 4
 (CONTINUED)

	Title II - Teacher Quality Leadership	FY 04 Title I - Reading First Part B SEA Funds	FY 05 Title I - Reading First Part B SEA Funds	FY 06 Title I - Reading First Part B SEA Funds	Title I - School Improvement & Accountability	Reading First Coordinator
ASSETS						
Cash and cash equivalents (overdrafts)	\$ (25,333)	\$ -	\$ -	\$ -	\$ 313,904	\$ -
Due from other funds	-	-	-	-	-	-
Due from other governmental agencies	25,529	-	-	-	299,521	-
TOTAL ASSETS	196	-	-	-	613,425	-
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued expenses	-	-	-	-	271,224	-
Due to other funds	-	-	-	-	-	-
Due to other governmental agencies	-	-	-	-	329,455	-
Total liabilities	-	-	-	-	600,679	-
FUND BALANCES						
Unreserved	196	-	-	-	12,746	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 196	\$ -	\$ -	\$ -	\$ 613,425	\$ -

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2007

SCHEDULE 4
 (CONTINUED)

	Reading First Technical Assistant	McKinney Education for Homeless Children	Youth Home Education	Standards Aligned Classroom	Preschool Monitoring	Total
ASSETS						
Cash and cash equivalents (overdrafts)	\$ -	(28,599)	448,508	\$ -	\$ 8,563	\$ 1,071,921
Due from other funds	-	29,570	-	-	-	29,570
Due from other governmental agencies	-	10,757	-	-	-	364,102
TOTAL ASSETS	-	11,728	448,508	-	8,563	1,465,593
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued expenses	-	6,728	32,218	-	3,800	424,769
Due to other funds	-	5,000	-	-	4,427	9,427
Due to other governmental agencies	-	-	-	-	-	440,860
Total liabilities	-	11,728	32,218	-	8,227	875,056
FUND BALANCES						
Unreserved	-	-	416,290	-	336	590,537
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 11,728	\$ 448,508	\$ -	\$ 8,563	\$ 1,465,593

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
EDUCATION FUND

SCHEDULE 5

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	Learning Technology Center (Formerly ROE/ISC Technology)	Federal Special Education - IDEA Flow-Through	Regional Safe Schools	General State Aid	Truants' Alternative and Optional Education Program (TAP)	SOS - Q4 Teacher Quality
REVENUES						
Federal sources	\$ -	\$ 87,730	\$ -	\$ -	\$ -	\$ -
State sources	68,233	-	926,134	251,658	319,283	26,696
Local sources						
Interest	454	154	14,516	10,895	3,565	-
Total revenues	68,687	87,884	940,650	262,553	322,848	26,696
EXPENDITURES						
Salaries	44,791	61,580	236,917	101,153	236,277	13,082
Benefits	11,752	18,866	91,292	23,434	65,771	2,852
Purchased services	11,386	7,506	32,004	43,908	16,968	9,990
Supplies and materials	2,105	-	1,914	-	399	-
Capital expenditures	-	-	1,375	8,801	-	-
Payments to other governments	-	-	564,613	239,578	-	-
Total expenditures	70,034	87,952	928,115	416,874	319,415	25,924
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,347)	(68)	12,535	(154,321)	3,433	772
OTHER FINANCING SOURCES (USES)						
Transfers in (out)	-	-	-	-	-	(1,300)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES	(1,347)	(68)	12,535	(154,321)	3,433	(528)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	14	1,191	(3,943)	289,539	14,575	(111)
FUND BALANCES (DEFICIT), END OF YEAR	(1,333)	1,123	8,592	135,218	18,008	(639)

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
EDUCATION FUND

SCHEDULE 5
(CONTINUED)

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	FY 04 Title I - Reading First Part B SEA Funds	FY 05 Title I - Reading First Part B SEA Funds	FY 06 Title I - Reading First Part B SEA Funds	Title I - School Improvement & Reading First Coordinator
REVENUES				
Federal sources	\$ 25,872	\$ -	\$ -	\$ 16,863
State sources	-	-	-	-
Local sources	-	-	-	-
Interest	52	-	-	3,385
Total revenues	25,924	-	-	16,863
EXPENDITURES				
Salaries	-	-	-	52,328
Benefits	-	-	-	16,017
Purchased services	25,215	-	-	18,225
Supplies and materials	657	-	-	199,137
Capital expenditures	-	-	-	-
Payments to other governments	-	-	-	250,974
Total expenditures	25,872	-	-	18,225
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	52	-	-	(1,362)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	(2,202)	(558)	1,300
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES	52	(2,202)	(558)	(1,362)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	144	2,202	558	9,361
FUND BALANCES (DEFICIT), END OF YEAR	\$ 196	\$ -	\$ -	\$ 12,746

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
EDUCATION FUND

SCHEDULE 5
(CONTINUED)

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	Reading First Technical Assistant	McKinney Education for Homeless Children	Youth Home Education	Standards Aligned Classroom	Preschool Monitoring	Total
REVENUES						
Federal sources	\$ 35,226	\$ 436,795	\$ -	\$ -	\$ -	\$ 1,521,908
State sources	-	-	910,092	-	34,350	2,536,446
Local sources	-	-	23,288	-	336	56,645
Interest	-	-	933,380	-	34,686	4,114,999
Total revenues	35,226	436,795	933,380	-	34,686	4,114,999
EXPENDITURES						
Salaries	-	32,844	254,374	-	-	1,033,346
Benefits	-	5,582	91,642	-	-	327,208
Purchased services	36,925	60,255	22,208	-	32,423	719,279
Supplies and materials	-	-	4,845	-	1,927	210,984
Capital expenditures	-	-	59,801	-	-	69,977
Payments to other governments	-	373,403	-	-	-	1,428,568
Total expenditures	36,925	472,084	432,870	-	34,350	3,789,362
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,699)	(35,289)	500,510	-	336	325,637
OTHER FINANCING SOURCES (USES)						
Transfers in (out)	-	29,570	(653,208)	(17,526)	-	(645,141)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES	(1,699)	(5,719)	(152,698)	(17,526)	336	(319,504)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	1,699	5,719	568,988	17,526	-	910,041
FUND BALANCES (DEFICIT), END OF YEAR	\$ -	\$ -	\$ 416,290	\$ -	\$ 336	\$ 590,537

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 EDUCATION FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2007

	Learning Technology Center (Formerly ROE/ISC Technology)			Regional Safe Schools			Variance Favorable (Unfavorable)
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
REVENUES							
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	68,233	68,233	-	926,134	926,134	-	-
Local sources	-	-	-	-	-	-	-
Interest	-	454	454	-	14,516	14,516	14,516
Total revenues	68,233	68,687	454	926,134	940,650	14,516	14,516
EXPENDITURES							
Salaries	45,000	44,791	209	220,400	236,917	(16,517)	(16,517)
Benefits	10,931	11,752	(821)	79,067	91,292	(12,225)	(12,225)
Purchased services	10,802	11,386	(584)	34,300	32,004	2,296	2,296
Supplies and materials	1,500	2,105	(605)	5,000	1,914	3,086	3,086
Capital expenditures	-	-	-	5,000	1,375	3,625	3,625
Payments to other governments	-	-	-	582,367	564,613	17,754	17,754
Total expenditures	68,233	70,034	(1,801)	926,134	928,115	(1,981)	(1,981)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	(1,347)	(1,347)	\$ -	12,535	\$ 12,535	12,535
OTHER FINANCING SOURCES							
Transfers in	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES		(1,347)	(1,347)		12,535	\$ 12,535	12,535
FUND BALANCES (DEFICIT), BEGINNING OF YEAR		14	14		(3,943)	(3,943)	(3,943)
FUND BALANCES (DEFICIT), END OF YEAR	\$ -	(1,333)	(1,333)	\$ -	8,592	\$ 8,592	8,592

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2007

SCHEDULE 7

	GED	Bus Driver Training	Supervisory	Local Tuancy	Total
ASSETS					
Cash and cash equivalents	\$ 77,032	\$ 506	\$ 22	\$ 151,125	\$ 228,685
Due from other governmental agencies	3,151	-	-	-	3,151
TOTAL ASSETS	80,183	506	22	151,125	231,836
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	3,115	-	-	2,316	5,431
Due to other governmental agencies	670	-	-	-	670
TOTAL LIABILITIES	3,785	-	-	2,316	6,101
FUND BALANCES					
Unreserved	76,398	506	22	148,809	225,735
TOTAL LIABILITIES AND FUND BALANCES	\$ 80,183	\$ 506	\$ 22	\$ 151,125	\$ 231,836

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31

SCHEDULE 8

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	GED	Bus Driver Training	Supervisory	Local Tuancy	Total
REVENUES					
State sources	\$ -	\$ 1,440	\$ 1,000	\$ -	\$ 2,440
Local sources					
Intergovernmental	-	-	-	14,049	14,049
Fees for services	46,686	4,312	-	-	50,998
Interest	4,320	185	22	7,487	12,014
Total revenues	51,006	5,937	1,022	21,536	79,501
EXPENDITURES					
Salaries	21,497	-	-	2,250	23,747
Benefits	5,735	-	-	72	5,807
Purchased services	21,463	11,801	1,000	3,354	37,618
Supplies and materials	74	189	-	-	263
Total expenditures	48,769	11,990	1,000	5,676	67,435
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,237	(6,053)	22	15,860	12,066
FUND BALANCES, BEGINNING OF YEAR	74,161	6,559	-	132,949	213,669
FUND BALANCES, END OF YEAR	\$ 76,398	\$ 506	\$ 22	\$ 148,809	\$ 225,735

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2007

SCHEDULE 9

	ESC Professional Development Local 2	Visual Media Cooperative	Technology	Local Counselors Academy	Criminal Background Investigation	Kane County Human Resources Consortium	Total
ASSETS							
Current assets							
Cash and cash equivalents (overdrafts)	\$ 8,445	\$ 47,146	\$ (159)	\$ 36,984	\$ 19,307	\$ 36,086	\$ 147,809
Due from other governmental agencies	8,325	-	57,100	1,100	-	31,000	97,525
Total current assets	16,770	47,146	56,941	38,084	19,307	67,086	245,334
Noncurrent assets							
Capital assets, net	3,494	-	4,635	576	7,952	3,017	19,674
TOTAL ASSETS	20,264	47,146	61,576	38,660	27,259	70,103	265,008
LIABILITIES							
Accounts payable and accrued expenses	2,002	-	-	2,312	-	-	4,314
Due to other governmental agencies	150	37,107	-	-	-	-	37,257
TOTAL LIABILITIES	2,152	37,107	-	2,312	-	-	41,571
NET ASSETS							
Invested in capital assets, net of related debt	3,494	-	4,635	576	7,952	3,017	19,674
Unrestricted	14,618	10,039	56,941	35,772	19,307	67,086	203,763
TOTAL NET ASSETS	\$ 18,112	\$ 10,039	\$ 61,576	\$ 36,348	\$ 27,259	\$ 70,103	\$ 223,437

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 NONMAJOR PROPRIETARY FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2007

SCHEDULE 10

	ESC Professional Development Local 2	Visual Media Cooperative	Technology	Local Counselors Academy	Criminal Background Investigation	Kane County Human Resources Consortium	Total
OPERATING REVENUES							
Local sources							
Intergovernmental	\$ 61,506	\$ -	\$ -	\$ 59,573	\$ -	\$ 49,200	\$ 170,379
Fees for services	-	57,287	-	-	219,257	-	276,544
Total operating revenues	61,506	57,287	57,287	59,573	219,257	49,200	446,923
OPERATING EXPENSES							
Salaries	-	-	-	5,077	-	-	5,077
Benefits	-	-	-	1,298	-	-	1,298
Purchased services	239,853	-	8,151	48,439	212,101	57,500	566,044
Depreciation	803	-	532	20	3,297	2,585	7,237
Supplies and materials	2,012	-	7,304	3,462	-	1,286	14,064
Capital expenditures	440	-	-	-	-	-	440
Total operating expenses	243,108	-	15,987	58,296	215,398	61,371	594,160
OPERATING INCOME (LOSS)	(181,502)	-	41,300	1,277	3,859	(12,171)	(147,237)
NONOPERATING REVENUES							
Interest	2,148	2,914	1,777	555	1,587	1,952	10,933
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(179,354)	2,914	43,077	1,832	5,446	(10,219)	(136,304)
OTHER FINANCING SOURCES (USES)							
Transfers in (out)	(38,000)	-	-	38,000	-	-	-
CHANGES IN NET ASSETS	(217,354)	2,914	43,077	39,832	5,446	(10,219)	(136,304)
NET ASSETS, BEGINNING OF YEAR	235,466	7,125	18,499	(3,484)	21,813	80,322	359,741
NET ASSETS, END OF YEAR	\$ 18,112	\$ 10,039	\$ 61,576	\$ 36,348	\$ 27,259	\$ 70,103	\$ 223,437

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 NONMAJOR PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2007

	ESC	Professional Development Local 2	Visual Media Cooperative	Technology	Local Counselors Academy	Criminal Background Investigation	Kane County Human Resources Consortium	Total
CASH FLOWS FROM OPERATING ACTIVITIES:								
Receipts for workshops and services	\$ 73,547	\$ 21	\$ 74,034	\$ 58,473	\$ 219,257	\$ 67,200	\$ 492,532	
Payments to suppliers	(243,228)	-	(15,455)	(59,448)	(212,101)	(58,786)	(589,018)	
Net cash provided by (used in) operating activities	(169,681)	21	58,579	(975)	7,156	8,414	(96,486)	
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITY:								
Transfer from (to) other funds	(38,000)	-	-	38,000	-	-	-	
Net cash provided by (used in) noncapital financing activity	(38,000)	-	-	38,000	-	-	-	
CASH FLOWS FROM CAPITAL FINANCING ACTIVITY:								
Purchase of capital assets	(3,255)	-	(5,167)	(596)	-	-	(9,018)	
Net cash used in capital financing activity	(3,255)	-	(5,167)	(596)	-	-	(9,018)	
CASH FLOWS FROM INVESTING ACTIVITIES:								
Investments	145,000	-	-	-	-	-	145,000	
Interest	2,148	2,914	1,777	555	1,587	1,952	10,933	
Net cash provided by investing activities	147,148	2,914	1,777	555	1,587	1,952	155,933	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(63,788)	2,935	55,189	36,984	8,743	10,366	50,429	
CASH AND CASH EQUIVALENTS (OVERDRAFTS), BEGINNING OF YEAR	72,233	44,211	(55,348)	-	10,564	25,720	97,380	
CASH AND CASH EQUIVALENTS (OVERDRAFTS), END OF YEAR	\$ 8,445	\$ 47,146	\$ (159)	\$ 36,984	\$ 19,307	\$ 36,086	\$ 147,809	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ (181,502)	\$ -	\$ 41,300	\$ 1,277	\$ 3,859	\$ (12,171)	\$ (147,237)	
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation	803	-	532	20	3,297	2,585	7,237	
Effects of changes in assets and liabilities:								
Accounts receivable	11,941	21	16,747	(1,100)	-	18,000	45,609	
Accounts payable and accrued expenses	(1,073)	-	-	(1,172)	-	-	(2,245)	
Due to other governmental agencies	150	-	-	-	-	-	150	
Net cash provided by (used in) operating activities	\$ (169,681)	\$ 21	\$ 58,579	\$ (975)	\$ 7,156	\$ 8,414	\$ (96,486)	

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 FIDUCIARY FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2007**

SCHEDULE 12

	<u>Payroll</u>	<u>Juvenile Drug Court</u>	<u>Distributive Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	<u>\$ 8,845</u>	<u>\$ (6,825)</u>	<u>\$ 1,107</u>	<u>\$ 3,127</u>
LIABILITIES				
Due to other governmental agencies	<u>\$ 8,845</u>	<u>\$ (6,825)</u>	<u>\$ 1,107</u>	<u>\$ 3,127</u>

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 FIDUCIARY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
 JUNE 30, 2007**

SCHEDULE 13

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
PAYROLL				
ASSETS				
Cash and cash equivalents	<u>\$ 65,512</u>	<u>\$ 1,590,598</u>	<u>\$ 1,647,265</u>	<u>\$ 8,845</u>
LIABILITIES				
Due to other governmental agencies	<u>\$ 65,512</u>	<u>\$ 1,590,598</u>	<u>\$ 1,647,265</u>	<u>\$ 8,845</u>
JUVENILE DRUG COURT				
ASSETS				
Cash and cash equivalents	<u>\$ 18,530</u>	<u>\$ 53,591</u>	<u>\$ 78,946</u>	<u>\$ (6,825)</u>
LIABILITIES				
Due to other governmental agencies	<u>\$ 18,530</u>	<u>\$ 53,591</u>	<u>\$ 78,946</u>	<u>\$ (6,825)</u>
DISTRIBUTIVE				
ASSETS				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 1,637,098</u>	<u>\$ 1,635,991</u>	<u>\$ 1,107</u>
LIABILITIES				
Due to other governmental agencies	<u>\$ -</u>	<u>\$ 1,637,098</u>	<u>\$ 1,635,991</u>	<u>\$ 1,107</u>
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	<u>\$ 84,042</u>	<u>\$ 3,281,287</u>	<u>\$ 3,362,202</u>	<u>\$ 3,127</u>
LIABILITIES				
Due to other governmental agencies	<u>\$ 84,042</u>	<u>\$ 3,281,287</u>	<u>\$ 3,362,202</u>	<u>\$ 3,127</u>

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT
TREASURERS AND OTHERS
FOR THE YEAR ENDED JUNE 30, 2007**

SCHEDULE 14

Valley Education for Employment System

Vocational Education - Career and Technical Education Improvement	\$ 1,105,354
Vocational Education - Agriculture Education	30,970
Vocational Education - Perkins - IIE	<u>499,667</u>
	<u>\$ 1,635,991</u>

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

SCHEDULE 15

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2007 Expenditures
<u>DEPARTMENT OF EDUCATION</u>			
Title I Grants to Local Educational Agencies			
Passed-Through Will County Regional Office of Education No. 56			
<i>Title I - School Improvement & Accountability</i>	(M) 84.010A	2007-4331-SS	\$ <u>919,422</u>
Special Education Grants to States			
Passed-Through Northern Suburban Special Education District			
<i>Federal Special Education - IDEA Flow-Through</i>	84.027A	2007-4630-01	<u>87,730</u>
Education for Homeless Children and Youth			
Passed-Through Illinois State Board of Education			
<i>McKinney Education for Homeless Children</i>	(M) 84.196A	2007-4920-00	<u>436,795</u>
Reading First State Grants			
Passed-Through Lake County Regional Office of Education No. 34			
<i>Title I - Reading First Part B SEA Funds</i>	84.357A	2006-4337-01	16,863
<i>Title I - Reading First Part B SEA Funds</i>	84.357A	2006-4337-04	<u>35,226</u>
			<u>52,089</u>
Improving Teacher Quality State Grants			
Passed-Through Will County Regional Office of Education No. 56			
<i>Title II - Teacher Quality - Leadership</i>	84.367A	2007-4935-SS	<u>25,872</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>1,521,908</u>

(M) Program was audited as a major program

The accompanying notes are an integral part of this schedule.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2007**

Note 1. Reporting Entity Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Kane County Regional Office of Education No. 31 and is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2. Subrecipients

The Kane County Regional Office of Education No. 31 provided federal awards totaling \$373,403 to the following:

Subrecipient	McKinney Education for Homeless Children (CFDA #84.196A)
Suburban Cook County Regional Office of Education No. 14	\$ 109,996
Lake County Regional Office of Education No. 34	109,088
DuPage County Regional Office of Education No. 19	61,418
Will County Regional Office of Education No. 56	48,722
Grundy/Kendall Counties Regional Office of Education No. 24	44,179
Total	\$ 373,403

Note 3. Description of Federal Programs Audited as a Major Program

McKinney Education for Homeless Children was designed to provide counseling and educational support to homeless children and their families. The programs are funded by a Federal Stewart B. McKinney Education for Homeless Children and Youth Grant administered through the Illinois State Board of Education.

Title I - School Improvement & Accountability provides school districts with funds to carry out their school improvement and corrective action responsibilities under Section 1116(c) of Title I while offering students in schools identified for improvement and corrective action the opportunity to transfer to another higher performing public school, including a public charter within the district.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Note 4. Non-Cash Assistance

Not Applicable.

Note 5. Amount of Insurance

Not Applicable.

Note 6. Loans or Loan Guarantees Outstanding

Not Applicable.