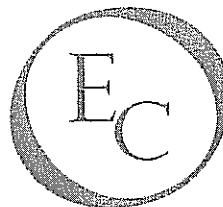


**STATE OF ILLINOIS
KANE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 31**

**FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
FOR THE YEAR ENDED JUNE 30, 2008**

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.....	16
Corrective Action Plan for Current Year Audit Findings.....	17
Summary Schedule of Prior Audit Findings.....	19
Management's Discussion and Analysis.....	20
 EXHIBIT	
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets.....	A 27
Statement of Activities.....	B 28

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	29
Governmental Funds - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	D	30
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	E	31
Governmental Funds - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	F	32
Proprietary Funds - Statement of Net Assets	G	33
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	34
Proprietary Funds - Statement of Cash Flows	I	35
Fiduciary Funds - Statement of Fiduciary Net Assets	J	36
Notes to Financial Statements		37

REQUIRED SUPPLEMENTARY INFORMATION

Illinois Municipal Retirement Fund - Schedule of Funding Progress	56
---	----

SUPPLEMENTARY INFORMATION

	SCHEDULE	
General Fund:		
Combining Schedule of Accounts	1	57
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	2	58
Budgetary Comparison Schedule	3	59
Education Fund:		
Combining Schedule of Accounts	4	60
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	5	62
Budgetary Comparison Schedule	6	64
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	7	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	8	67

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	68
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	10	70
Combining Statement of Cash Flows.....	11	72
Fiduciary Funds:		
Combining Statement of Fiduciary Net Assets.....	12	74
Combining Statement of Changes in Assets and Liabilities.....	13	75
Schedule of Disbursements to School District Treasurers and Others.....	14	76
FEDERAL COMPLIANCE SECTION		
Schedule of Expenditures of Federal Awards.....	15	77
Notes to Schedule of Expenditures of Federal Awards.....		78

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

Regional Superintendent
(current and during the audit period)

Mr. Douglas Johnson

Assistant Regional Superintendent
(current and during the audit period)

Mr. Harrison Schneider

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

Details of audit findings are presented in a separately tabbed report section. An additional matter which is less than a significant deficiency or material weakness but more than inconsequential, has been reported in a Management Letter of Comments to the Regional Superintendent. In prior years, this issue may have been included as an immaterial finding in the auditors' reports.

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<i>FINDINGS (GOVERNMENT AUDITING STANDARDS)</i>			
08-1	12	Inadequate Monitoring of Collateral on Deposits	Significant Deficiency and Noncompliance
08-2	14	Failure to Apply Appropriate Accounting Principles	Significant Deficiency
<i>FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)</i>			
	16	None	N/A
<i>PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)</i>			
07-1	19	Improper Recording of Transactions and Beginning Balances in the General Ledger	N/A
<i>PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)</i>			
		None	N/A

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

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, 2008. Responses to the recommendations were provided by Mr. Douglas Johnson, Regional Superintendent in a letter dated January 23, 2009.

FINANCIAL STATEMENT REPORT

A financial statement audit consists of an audit of an agency's financial statements, including an examination of the underlying books and records, to determine whether those financial statements are fairly presented in accordance with generally accepted accounting principles.

The financial statement report is comprised of the following:

A Summary section providing a brief overview of the financial statement audit.

- An Auditors' Report section containing statements by the auditors on the scope and results of their audit, as required by applicable professional standards.
- A Findings & Recommendations section containing sequentially numbered findings in which the auditors note any instances of nonconformity by the agency with applicable laws, rules, regulations, grant agreements, and other standards governing its conduct that were found by the auditors in the course of their review. All findings are discussed with the agency officials during the post audit process.

Each finding generally contains: a description of the condition found; a recommendation by the auditors for corrective action; a response by the agency either accepting or rejecting the auditors' finding; and a description of the agency's plan for addressing the problem.

- A Financial Statement section generally consisting of:
 - Management's discussion and analysis (MD&A) as required supplementary information;
 - Basic financial statements (entity-wide financial statements, fund financial statements, and notes to the financial statements);
 - Required supplementary information other than MD&A.

Additional financial statements may be presented for agencies with special reporting requirements.

Financial Presentation Examined

Auditors' Reports

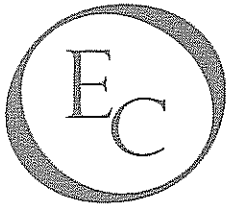
Findings and Recommendations

Financial Statements

**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, 2008, 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, 2008, 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.

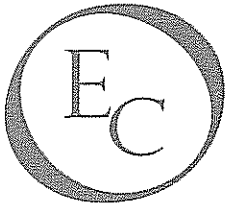
In accordance with *Government Auditing Standards*, we have also issued a report dated April 23, 2009 on our consideration of the Kane County Regional Office of Education No. 31's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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 20 through 26 and page 56 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. Ortig & Co., LLP

Chicago, Illinois
April 23, 2009



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

**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, 2008, which collectively comprise the Kane County Regional Office of Education No. 31's basic financial statements and have issued our report thereon dated April 23, 2009. 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 and 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting, 08-1 and 08-2.

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 believe that none of the significant deficiencies described is 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, 08-1.

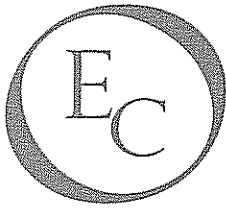
We also noted a certain matter which we have reported to management of the Kane County Regional Office of Education No. 31 in a separate letter dated April 23, 2009.

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

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. Ortig & Co., LLP

Chicago, Illinois
April 23, 2009



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

**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, 2008. 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, 2008.

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. Ortiz & Co., LLP

Chicago, Illinois
April 23, 2009

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Part I: Summary of the Auditors' Results

Financial Statements

Type of auditors' 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 auditors' 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 Number</u>	<u>Name of Federal Program or Cluster</u>
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, 2008**

Part II: Finding Related to the Financial Statements

FINDING NO. 08-1 - Inadequate Monitoring of Collateral on Deposits

Criteria/Specific Requirement:

The Public Funds Deposit Act (30 ILCS 225/1) gives the authorization for deposits in excess of the federally insured limit to be covered by pledged collateral held by the financial institutions' trust departments in the Kane County Regional Office of Education No. 31's (ROE No. 31) name. In addition, prudent business practice requires that all cash and investments held by financial institutions for the ROE No. 31 be adequately covered by depository insurance or collateral.

Condition:

As of June 30, 2008, the cash balance with the primary bank account totaled \$3,064,066, of which \$390,571 was not adequately collateralized and exceeded Federal Deposit Insurance Corporation (FDIC) coverage. In FY 2008, the FDIC covered up to a maximum of \$100,000. The ROE No. 31 confirmed annually, with the bank holding the deposits, the balance of the deposits held and whether these deposits were insured or if collateral was pledged to secure these deposits. Subsequent to notification by the auditors, additional collateral was obtained by the ROE No. 31 for the balance exceeding the FDIC coverage.

Effect:

Failure to secure full collateral on cash balances may result in monetary losses to the ROE No. 31. Inadequate monitoring of pledged collateral increases the risk that depository institutions will not have pledged sufficient collateral.

Cause:

According to the ROE No. 31 management, the failure to obtain the required additional collateral for the ROE No. 31's cash balances was due to oversight. In addition, the ROE did not anticipate the increase in bank balances at year-end.

Auditors' Recommendation:

The Kane County Regional Office of Education No. 31 should monitor collateral requirements for its bank accounts. The ROE No. 31 should also establish controls for confirming amounts pledged by the bank on a regular basis and consider making a formal arrangement with the bank to automatically pledge securities for any deposit amounts in excess of the FDIC insured amount.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Part II: Findings Related to the Financial Statements (Continued)

FINDING NO. 08-1 - Inadequate Monitoring of Collateral on Deposits (Continued)

Management's Response:

We agree with the finding. The Director of Finance has instituted changes to the monitoring of collateral on deposits with the bank in question and will continue to do so in the future.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Part II: Findings Related to the Financial Statements (Continued)

FINDING NO. 08-2 - Failure to Apply Appropriate Accounting Principles

Criteria/Specific Requirement:

Generally accepted accounting principles (GAAP) require that a lease be capitalized if any one of following four criteria is a characteristic of the lease transaction: (1) the lease transfers ownership of the property to the lessee by the end of the lease term, (2) the lease contains bargain purchase options, (3) the lease term is equal to 75% or more of the estimated economic life of the leased property, or (4) the present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90% of the fair value of the leased property. Capital leases are treated as an acquisition of assets and the incurrence of obligations by the lessee.

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 GAAP.

Condition:

Kane County Regional Office of Education No. 31 (ROE No. 31) did not properly record certain lease transactions and capital asset acquisitions, and as a result, did not properly apply the appropriate GAAP. For fiscal year 2008, payments on leases of certain equipment that have a lease term equal to the estimated economic life of the leased equipment were treated as operating leases and recorded as purchased services (\$21,187). The lease transactions meet the criteria for capital leases. As of June 30, 2008, the total net book value of the leased equipment and the present value of the related lease payable were \$36,982 and \$38,111, respectively.

The ROE No. 31 subsequently revised its financial statements to include the required adjustments and disclosures necessary to apply the appropriate GAAP.

Effect:

Failure to use the applicable GAAP may result in inaccurate and incomplete financial statements. In addition, transactions were not recorded in accordance with the Illinois Program Accounting Manual and ROE Accounting Manual. Financial reports prepared by the ROE No. 31 required additional analysis in order to be comparable and consistent with reporting requirements and GAAP.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Part II: Findings Related to the Financial Statements (Continued)

FINDING NO. 08-2 - Failure to Apply Appropriate Accounting Principles (Continued)

Cause:

According to the ROE No. 31 management, the ROE No. 31 generally does not keep the equipment items through the end of the lease term and therefore, considered the recording of the lease transactions as operating expenses proper.

Auditors' Recommendation:

We recommend the ROE No. 31 establish procedures to ensure lease transactions and capital asset acquisitions are properly accounted for and reported in accordance with GAAP. If necessary, accounting and reporting guidance should be obtained from technical resources to be in conformity with GAAP. Further, transactions should be carefully reviewed for proper accounting and recognition as required by the Illinois Administrative Code and the ROE Accounting Manual.

Management's Response:

We agree with the finding. Kane County Regional Office of Education No. 31 will properly record certain lease transactions and capital asset acquisitions and apply the appropriate GAAP in the future.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

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 FINDINGS
JUNE 30, 2008**

FINDING NO. 08-1 - Inadequate Monitoring of Collateral on Deposits

Condition:

As of June 30, 2008, the cash balance with the primary bank account totaled \$3,064,066, of which \$390,571 was not adequately collateralized and exceeded Federal Deposit Insurance Corporation (FDIC) coverage. In FY 2008, the FDIC covered up to a maximum of \$100,000. The ROE No. 31 confirmed annually, with the bank holding the deposits, the balance of the deposits held and whether these deposits were insured or if collateral was pledged to secure these deposits. Subsequent to notification by the auditors, additional collateral was obtained by the ROE No. 31 for the balance exceeding the FDIC coverage.

Plan:

The Director of Finance has instituted changes to the monitoring of collateral on deposits with the bank in question and will continue to do so in the future.

Anticipated Date of Completion:

This has already been addressed as indicated in the "Plan" above.

Name of Contact Person:

Mr. Tom Campeggio, Finance Director, Kane County Regional Office of Education No. 31

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDING
JUNE 30, 2008**

FINDING NO. 08-2 - Failure to Apply Appropriate Accounting Principles

Condition:

Kane County Regional Office of Education No. 31 (ROE No. 31) did not properly record certain lease transactions and capital asset acquisitions, and as a result, did not properly apply the appropriate generally accepted accounting principles (GAAP). For fiscal year 2008, payments on leases of certain equipment that have a lease term equal to the estimated economic life of the leased equipment were treated as operating leases and recorded as purchased services (\$21,187). The lease transactions meet the criteria for capital leases. As of June 30, 2008, the total net book value of the leased equipment and the present value of the related lease payable were \$36,982 and \$38,111, respectively.

The ROE No. 31 subsequently revised its financial statements to include the required adjustments and disclosures necessary to apply the appropriate GAAP.

Plan:

Kane County Regional Office of Education No. 31 will properly record certain lease transactions and capital asset acquisitions and apply the appropriate GAAP in the future.

Anticipated Date of Completion:

Completed.

Name of Contact Person:

Mr. Tom Campeggio, Finance Director, Kane County Regional Office of Education No. 31

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
07-1	Improper Recording of Transactions and Beginning Balances in the General Ledger	Resolved

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

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, 2008 with comparative information for the year ended June 30, 2007. 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 130,000 students, which includes 119,928 public school students and 10,129 private/parochial students. Our region includes nine (K-12) unit districts, two community college districts, 176 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, 2008**

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.

2008 Financial Highlights

- Within the Governmental Funds, the General Fund revenues increased by \$115,696 (23%) from \$495,736 in FY 2007 to \$611,432 in FY 2008. General Fund expenditures decreased by \$417,017 (42%) from \$1,004,521 in FY 2007 to \$587,504 in FY 2008.
- Within the Governmental Funds, the Special Revenue Fund revenues decreased by \$673,477 (15%) from \$4,353,109 in FY 2007 to \$3,679,632 in FY 2008. The Special Revenue Fund expenditures decreased by \$1,046,285 (25%) from \$4,106,740 in FY 2007 to \$3,060,455 in FY 2008.
- The Enterprise Fund revenue increased by \$265,875 (58%) from \$457,856 in FY 2007 to \$723,731 in FY 2008. The Enterprise Fund expenditures increased by \$111,894 (19%) from \$594,160 in FY 2007 to \$706,054 in FY 2008.

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 - \$242,904, Regional Safe Schools Initiative - \$940,773; Truancy and Optional Education - \$350,985; General State Aid - \$378,329; Title I - School Improvement & Accountability - \$494,290; and Youth Home Education - \$741,288.

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, 2008**

- 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 financial 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 financial 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 condition, 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, 2008**

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 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 2008 and FY 2007 totaled \$2,609,288 and \$2,017,702, 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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
ASSETS						
Current assets	\$ 3,223,672	\$ 2,481,707	\$ 564,299	\$ 245,334	\$ 3,787,971	\$ 2,727,041
Capital assets, net of depreciation	158,478	227,674	49,125	19,674	207,603	247,348
TOTAL ASSETS	3,382,150	2,709,381	613,424	265,008	3,995,574	2,974,389
Current liabilities	1,016,549	915,116	340,679	41,571	1,357,228	956,687
Noncurrent liabilities	5,227	-	23,831	-	29,058	-
TOTAL LIABILITIES	1,021,776	915,116	364,510	41,571	1,386,286	956,687
NET ASSETS						
Invested in capital assets, net of related debt	151,545	227,674	17,947	19,674	169,492	247,348
Restricted for teacher professional development	455,142	421,316	-	-	455,142	421,316
Unrestricted	1,753,687	1,145,275	230,967	203,763	1,984,654	1,349,038
TOTAL NET ASSETS	\$ 2,360,374	\$ 1,794,265	\$ 248,914	\$ 223,437	\$ 2,609,288	\$ 2,017,702

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

The ROE No. 31's net assets increased by \$591,586 (29%) from FY 2007. The increase was primarily due to the excess of revenues over expenses for the Regional Program Development fund and the General State Aid fund. 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, 2007 and 2008.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program revenues:						
Charges for services	\$ 161,344	\$ 197,457	\$ 714,467	\$ 446,923	\$ 875,811	\$ 644,380
Operating grants and Contributions	3,684,732	4,292,039	-	-	3,684,732	4,292,039
General revenues:						
State and local sources	92,659	15,113	-	-	92,659	15,113
Interest	80,535	112,852	9,264	10,933	89,799	123,785
On-behalf payments	271,794	231,384	-	-	271,794	231,384
Loss on disposal of assets	(45)	(1,196)	-	-	(45)	(1,196)
Total revenues	4,291,019	4,847,649	723,731	457,856	5,014,750	5,305,505
Expenses:						
Salaries	1,266,486	1,194,609	-	5,077	1,266,486	1,199,686
Benefits	367,889	368,389	-	1,298	367,889	369,687
Purchased services	796,488	1,510,777	570,990	566,044	1,367,478	2,076,821
Supplies and materials	174,846	246,458	115,100	14,064	289,946	260,522
Capital expenditures	1,494	2,917	1,205	440	2,699	3,357
Depreciation	94,139	97,679	17,150	7,237	111,289	104,916
Payments to other governmental units	741,294	1,488,568	-	-	741,294	1,488,568
Miscellaneous	2,680	-	1,609	-	4,289	-
On-behalf payments	271,794	231,384	-	-	271,794	231,384
Total expenses	3,717,110	5,140,781	706,054	594,160	4,423,164	5,734,941
Income (loss) before operating transfers	573,909	(293,132)	17,677	(136,304)	591,586	(429,436)
Operating transfers	(7,800)	-	7,800	-	-	-
Change in net assets	566,109	(293,132)	25,477	(136,304)	591,586	(429,436)
Net assets, beginning	1,794,265	2,087,397	223,437	359,741	2,017,702	2,447,138
Net assets, ending	<u>\$ 2,360,374</u>	<u>\$ 1,794,265</u>	<u>\$ 248,914</u>	<u>\$ 223,437</u>	<u>\$ 2,609,288</u>	<u>\$ 2,017,702</u>

Governmental Activities

Revenues for governmental activities were \$4,291,019 and expenses were \$3,717,110. The decrease in program revenues was mainly due to the decrease in revenues for Title I - School Improvement & Accountability and Youth Home Education grants by \$425,132 and

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

\$168,804, respectively from FY 2007 to FY 2008. This was brought about by the decrease in the number of participants in these programs. In addition, FY 2008 was the last year of ROE No. 31 as lead liaison of the McKinney-Vento Homeless Children and Youth program for Area I Regional Offices of Education, thus governmental fund revenues decreased by \$323,881. The decrease in revenues was however offset by additional funds received for the General State Aid and the Teacher Quality grants totaling \$271,060 due to increase in State funding level per student. Program expenditures decreased primarily due to lower expenditures in the Regional Program Development Fund which decreased by \$478,070. Operating expenditures for the education funds were proportionally decreased to meet the funding level.

Business-Type Activities

Revenues for business-type activities were \$723,731 and expenditures were \$706,054. The net increase in revenues and expenditures is attributed to the activities of new programs for FY 2008 namely, Kane County Library Resource Consortium and the Discovery Education United Streaming.

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 \$2,208,829.

Governmental Fund Highlights

- State funding of Regional Offices of Education has been stable in comparison to the previous year.
- County support for the Regional Office of Education No. 31 remained at last year's funding level.
- There was an increase in the state aid foundation level to \$5,734 per student from \$5,334.

Proprietary Fund Highlights

Total proprietary fund net assets increased by \$25,477 (11%). This is attributed mainly to the excess of revenues over expenses of the Criminal Background Investigation fund.

Fiduciary Fund Highlights

There was an increase of \$25,150 (804%) in total fiduciary funds for FY 2008. Transactions during FY 2008 represent mainly transfers in and out of funds for the Distributive Fund.

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

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 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 2008, total additions and retirements amounted to \$71,589 and \$3,238, respectively. Depreciation expense for FY 2008 was \$111,289.

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 \$5,859 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 decreased by 1.5% over FY08.

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 2008 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, 2008**

EXHIBIT A

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,097,609	\$ 286,897	\$ 3,384,506
Accounts receivable	1,830	781	2,611
Due from other governmental agencies	124,233	276,621	400,854
Total current assets	<u>3,223,672</u>	<u>564,299</u>	<u>3,787,971</u>
Noncurrent assets			
Capital assets, net	<u>158,478</u>	<u>49,125</u>	<u>207,603</u>
TOTAL ASSETS	<u>3,382,150</u>	<u>613,424</u>	<u>3,995,574</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	317,163	224,022	541,185
Due to other governmental agencies	697,458	45,107	742,565
Deferred revenues	222	64,203	64,425
Leases payable	1,706	7,347	9,053
Total current liabilities	<u>1,016,549</u>	<u>340,679</u>	<u>1,357,228</u>
Noncurrent liabilities			
Leases payable	<u>5,227</u>	<u>23,831</u>	<u>29,058</u>
TOTAL LIABILITIES	<u>1,021,776</u>	<u>364,510</u>	<u>1,386,286</u>
NET ASSETS			
Invested in capital assets, net of related debt	151,545	17,947	169,492
Restricted for teacher professional development	455,142	-	455,142
Unrestricted	<u>1,753,687</u>	<u>230,967</u>	<u>1,984,654</u>
TOTAL NET ASSETS	<u>\$ 2,360,374</u>	<u>\$ 248,914</u>	<u>\$ 2,609,288</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, 2008

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	\$ 1,266,486	\$ -	\$ 1,414,215	\$ 147,729	\$ -	\$ 147,729
Benefits	367,889	-	410,801	42,912	-	42,912
Purchased services	796,488	146,979	811,739	162,230	-	162,230
Supplies and materials	174,846	7,342	191,362	23,858	-	23,858
Capital expenditures	1,494	5,322	26,759	30,587	-	30,587
Depreciation expense	94,139	-	-	(94,139)	-	(94,139)
Miscellaneous	2,680	1,701	2,094	1,115	-	1,115
Payments to other governments	741,294	-	827,762	86,468	-	86,468
Administrative						
On-behalf payments	271,794	-	-	(271,794)	-	(271,794)
Total governmental activities	3,717,110	161,344	3,684,732	128,966	-	128,966
Business-type activities:						
Professional development	706,054	714,467	-	-	8,413	8,413
Total business-type activities	706,054	714,467	-	-	8,413	8,413
Total primary government	\$ 4,423,164	\$ 875,811	\$ 3,684,732	128,966	8,413	137,379
General revenues:						
Local sources						
Intergovernmental				92,659	-	92,659
Interest				80,535	9,264	89,799
On-behalf payments				271,794	-	271,794
Loss on disposal of assets				(45)	-	(45)
Transfers				(7,800)	7,800	-
Total general revenues and transfers				437,143	17,064	454,207
Change in net assets				566,109	25,477	591,586
Net assets - beginning				1,794,265	223,437	2,017,702
Net assets - ending				\$ 2,360,374	\$ 248,914	\$ 2,609,288

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, 2008**

EXHIBIT C

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 842,703	\$ 1,597,087	\$ 429,527	\$ 228,292	\$ 3,097,609
Accounts receivable	-	-	1,385	445	1,830
Due from other funds	1,120	29,570	24,700	-	55,390
Due from other governmental agencies	-	122,256	-	1,977	124,233
TOTAL ASSETS	843,823	1,748,913	455,612	230,714	3,279,062
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	11,138	301,826	-	4,199	317,163
Due to other funds	29,570	25,820	-	-	55,390
Due to other governmental agencies	184	696,804	470	-	697,458
Deferred revenues	-	-	-	222	222
Total liabilities	40,892	1,024,450	470	4,421	1,070,233
FUND BALANCES					
Unreserved, reported in:					
General fund	802,931	-	-	-	802,931
Special revenue funds	-	724,463	455,142	226,293	1,405,898
Total fund balances	802,931	724,463	455,142	226,293	2,208,829
TOTAL LIABILITIES AND FUND BALANCES	\$ 843,823	\$ 1,748,913	\$ 455,612	\$ 230,714	\$ 3,279,062

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

**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, 2008**

EXHIBIT D

Total fund balances - governmental funds		\$ 2,208,829
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.	\$ 158,478	
Capital lease obligations are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(6,933)</u>	<u>151,545</u>
Net assets of governmental activities		<u>\$ 2,360,374</u>

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008**

EXHIBIT E

	General Fund	Education Fund	Institute Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
REVENUES					
Federal sources	-	\$ 773,708	\$ -	-	\$ 773,708
State sources	242,904	2,665,680	-	2,440	2,911,024
Local sources					
Intergovernmental	73,409	19,250	-	24,907	117,566
Fees for services	-	-	94,431	42,006	136,437
Interest	23,325	32,979	15,735	8,496	80,535
On-behalf payments	271,794	-	-	-	271,794
Total revenues	611,432	3,491,617	110,166	77,849	4,291,064
EXPENDITURES					
Instructional services:					
Salaries	119,914	1,124,041	-	22,531	1,266,486
Benefits	40,850	321,235	-	5,804	367,889
Purchased services	126,192	566,173	69,543	34,580	796,488
Supplies and materials	2,732	154,680	3,474	13,960	174,846
Miscellaneous	1,459	-	805	416	2,680
Payments to other governments	18,685	722,609	-	-	741,294
On-behalf payments	271,794	-	-	-	271,794
Capital expenditures	5,878	18,086	2,518	-	26,482
Total expenditures	587,504	2,906,824	76,340	77,291	3,647,959
EXCESS OF REVENUES OVER EXPENDITURES	23,928	584,793	33,826	558	643,105
OTHER FINANCING SOURCES (USES)					
Proceeds of capital lease obligations	-	6,933	-	-	6,933
Transfers in (out)	450,000	(457,800)	-	-	(7,800)
Total other financing sources (uses)	450,000	(450,867)	-	-	(867)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES	473,928	133,926	33,826	558	642,238
FUND BALANCES, BEGINNING OF YEAR	329,003	590,537	421,316	225,735	1,566,591
FUND BALANCES, END OF YEAR	\$ 802,931	\$ 724,463	\$ 455,142	\$ 226,293	\$ 2,208,829

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

EXHIBIT F

Net change in fund balances \$ 642,238

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	\$ 24,988	
Depreciation expense	(94,139)	
Loss on disposal of capital assets	<u>(45)</u>	(69,196)

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Assets.

(6,933)

Change in net assets of governmental activities \$ 566,109

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, 2008**

EXHIBIT G

	<u>Business Type Activities - Enterprise Funds Nonmajor Proprietary Funds</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 286,897
Accounts receivable	781
Due from other governmental agencies	276,621
Total current assets	<u>564,299</u>
Noncurrent assets	
Capital assets, net	<u>49,125</u>
TOTAL ASSETS	<u>613,424</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	224,022
Due to other government agencies	45,107
Deferred revenues	64,203
Leases payable	7,347
Total current liabilities	<u>340,679</u>
Noncurrent liabilities	
Leases payable	<u>23,831</u>
TOTAL LIABILITIES	<u>364,510</u>
NET ASSETS	
Invested in capital assets, net of related debt	17,947
Unrestricted	<u>230,967</u>
TOTAL NET ASSETS	<u><u>\$ 248,914</u></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, 2008**

EXHIBIT H

	Business Type Activities - Enterprise Funds
	Nonmajor Proprietary Funds
OPERATING REVENUES	
Local sources	
Intergovernmental	\$ 153,796
Fees for services	560,671
Total operating revenues	<u>714,467</u>
OPERATING EXPENSES	
Purchased services	570,990
Supplies and materials	115,100
Depreciation	17,150
Capital expenditures	1,205
Miscellaneous	1,609
Total operating expenses	<u>706,054</u>
OPERATING INCOME	8,413
NONOPERATING REVENUES	
Interest	<u>9,264</u>
INCOME BEFORE OPERATING TRANSFER	17,677
OPERATING TRANSFER	
Transfers in	<u>7,800</u>
CHANGE IN NET ASSETS	25,477
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>223,437</u>
TOTAL NET ASSETS, END OF YEAR	<u><u>\$ 248,914</u></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, 2008**

EXHIBIT I

	Business Type Activities - Enterprise Funds
	Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts for workshops and services	\$ 534,590
Payments to suppliers	(397,143)
Net cash provided by operating activities	<u>137,447</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITY:	
Cash transfer from other funds	7,800
Net cash provided by noncapital financing activity	<u>7,800</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Purchase of capital assets	(46,601)
Net proceeds from capital lease obligations	31,178
Net cash used in capital financing activities	<u>(15,423)</u>
CASH FLOWS FROM INVESTING ACTIVITY:	
Interest	9,264
Net cash provided by investing activity	<u>9,264</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	139,088
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>147,809</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 286,897</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 8,413
Adjustments to reconcile operating income to net cash provided	
by operating activities:	
Depreciation	17,150
Effects of changes in assets and liabilities:	
Accounts receivable	(781)
Due from other governmental agencies	(179,096)
Accounts payable and accrued expenses	219,708
Due to other governmental agencies	7,850
Deferred revenues	64,203
Net cash provided by operating activities	<u>\$ 137,447</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, 2008**

EXHIBIT J

ASSETS

Cash and cash equivalents	\$ 20,415
Due from other governmental agencies	<u>7,862</u>

TOTAL ASSETS	<u><u>28,277</u></u>
---------------------	-----------------------------

LIABILITIES

Due to other governmental agencies	<u><u>\$ 28,277</u></u>
------------------------------------	-------------------------

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, 2008

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, 2008

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, 2007, the Kane County Regional Office of Education No. 31 adopted the following accounting pronouncements:

- GASB Statement No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and 27*, which aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This statement amends applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*.
- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which establishes criteria to

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing.

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 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.

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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.

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.

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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

Technology for Success (Formerly Learning Technology Center) - Program designed to support learning technology services to the local school districts.

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.

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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.

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.

Principal Mentoring - Funds are used to support the program which is designed to ensure that every new principal in Illinois receives a high-quality mentoring experience that focuses on professional development experiences and enhances a new principal's leadership. In this program, new leaders receive mentoring from proven, trained mentors who are paired with new principals based on geography, grade level, and need.

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.

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

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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

Kane County Library Resources Consortium - Accounts for monies received for and partial payment of, expenditures for the Kane County Public Schools Library Resource Program.

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Discovery Education United Streaming - Accounts for local revenues received for the digital video-on-demand service by Discovery Education.

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 - 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 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.

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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, 2008 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:

General Fund:

- ROE/ISC Operations

Special Revenue Funds:

- Technology for Success (Formerly Learning Technology Center)

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

- Regional Safe Schools
- Truants' Alternative and Optional Education Program (TAP)

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.

M. Interest Revenue

Illinois State Board of Education (ISBE) funds received by the ROE for the Distributive Fund accrue interest for the period of time between the receipt of the funds and clearance of checks to the recipient. In accordance with an agreement dated May 24, 1988 with the school district boards served, interest earned on Distributive Fund deposits is transferred to the General Fund to offset wire service and other bank charges incurred by the Distributive Fund.

Distributive Fund interest earned and related charges are recognized as revenues and expenditures in the general fund.

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 \$3,278,268 at June 30, 2008, while the bank balance was \$3,525,841. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2008. Of the total bank balances as of June 30, 2008, \$250,000 was secured by federal depository insurance, and \$2,885,270 was collateralized by securities pledged by the Regional Office of Education No. 31's financial institution on behalf of the Regional Office.

As of June 30, 2008, total deposits amounting to \$390,571 are uncollateralized.

Investments

The ROE's established investment policy follows the State of Illinois Public Funds Investment Act which authorizes the ROE to purchase certain obligations of the U.S. Treasury, federal agencies and instrumentalities; certificates of deposit and time deposits covered by Federal depository insurance; commercial paper of U.S. corporations with assets

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

exceeding \$500,000,000, if such paper is rated at the highest classification established by at least two standard rating services; money market funds and the Illinois Funds.

As of June 30, 2008, the Kane County Regional Office of Education No. 31 had investments with carrying and fair values of \$126,653 and \$125,803, respectively invested in the Illinois Funds Money Market.

Credit Risk

At June 30, 2008, the Illinois Funds Money Market Fund had a Standards and Poor's AAAM rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investments Act, 30 ILCS 235. All investments are fully collateralized.

Interest Rate Risk

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

Concentration of Credit Risk

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

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:

Due From Other Governmental Agencies:	
Local school districts	\$ 278,598
Will County ROE No. 56 - Professional Development Alliance	57,688
Illinois State Board of Education	33,862
School Association for Special Education in DuPage County	22,818
Illinois Principals' Association	15,750
	<hr/>
Total	<u>\$ 408,716</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Due To Other Governmental Agencies:	
Local school districts	\$ 760,672
Northern Illinois University	8,000
DuPage County ROE No. 19	1,700
Illinois State Board of Education	470
Total	\$ 770,842

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2008 is as follows:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008
GOVERNMENTAL FUNDS				
Furniture and equipment	\$ 784,749	\$ 24,988	\$ (3,238)	\$ 806,499
Less: accumulated depreciation	557,075	94,139	(3,193)	648,021
Capital assets, net	\$ 227,674	\$ (69,151)	\$ (45)	\$ 158,478
PROPRIETARY FUNDS				
Equipment	\$ 34,904	\$ 46,601	\$ -	\$ 81,505
Less: accumulated depreciation	15,230	17,150	-	32,380
Capital assets, net	\$ 19,674	\$ 29,451	\$ -	\$ 49,125

NOTE 5 - CAPITAL LEASE

Kane County Regional Office of Education No. 31 has entered into lease agreements as lessee for financing the acquisition of copiers. These lease agreements qualify as a capital lease for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the capital assets account.

The future minimum lease obligations and the net present value of these lease payments as of June 30, 2008, were as follows:

Year Ending June 30	Amount
2009	\$ 11,341
2010	11,341
2011	11,341
2012	9,319
2013	555
Total minimum lease payment	43,897
Less: amount representing interest	5,786
Present value of minimum lease payments	\$ 38,111

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 - SALARIES AND PENSION PLAN CONTRIBUTIONS

The salaries of the Regional Superintendent and the Assistant 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.

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 the primary responsibility for funding 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 for the year ended June 30, 2008, was 9.4 percent of 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 0.63 percent during the year ended June 30, 2008, and the member THIS Fund health insurance contribution was 0.84 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 the Kane County Regional Office of Education No. 31. For the year ended

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

June 30, 2008, State of Illinois contributions were based on 13.11 percent of creditable earnings not paid from federal funds, and the Kane County Regional Office of Education No. 31, recognized revenue and expenditures of \$33,796 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2007 and June 30, 2006, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 9.78 percent (\$29,522) and 7.06 percent (\$26,156), respectively. The State contributions to TRS for the year ended June 30, 2008 were based on an actuarial formula. 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 and were not actuarially determined.

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 total creditable earnings for the 2.2 formula change. The rate is specified by statute. Contributions for the year ended June 30, 2008 were \$1,513. Contributions for the years ended June 30, 2007, and June 30, 2006, were \$1,751 and \$1,984 respectively.
- **Federal and Trust Fund Contributions.** When TRS members are paid from federal and special trust funds administered by the Kane County Regional Office of Education No. 31, there is a statutory requirement for the 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 special trust funds will be the same as the State contribution rate to TRS. For the year ended June 30, 2008, the employer pension contribution was 13.11 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2007 and 2006, the employer contribution was 9.78 and 7.06 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2008, salaries totaling \$3,875 were paid from federal and special trust funds that required employer contributions of \$508. For the years ended June 30, 2007 and June 30, 2006, required contributions of Kane County Regional Office of Education No. 31 were \$7,599 and \$7,665, respectively.
- **Early Retirement Option.** The 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 was provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they met certain conditions and retired on or before July 1, 2007. If members did 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-

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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 Pipeline ERO program, the maximum employer contribution was 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 when the member is age 55 at retirement. For the year ended June 30, 2008, the Kane County Regional Office of Education No. 31 paid \$0 to TRS for employer contributions under the ERO program. For the years ended June 30, 2007 and 2006, the Kane County Regional Office of Education No. 31 paid \$0 in employer ERO contributions.

- **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 year ended June 30, 2008, the Kane County Regional Office of Education No. 31 paid \$0 to TRS for employer contributions due on salary increases in excess of 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 (17.62 percent of salary during the year ended June 30, 2008). For the year ended June 30, 2008, the Kane County Regional Office of Education No. 31 paid \$0 to TRS for sick leave days granted in excess of the normal annual allotment. 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 sick leave days granted 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, 2007. The report for the year ended June 30, 2008, is expected to be available in late 2008. 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.

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Illinois Municipal Retirement Fund

Plan Description

The Kane County Regional Office of Education No. 31's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Kane County Regional Office of Education No. 31's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained on-line at www.imrf.org.

Funding Policy

As set by statute, the Kane County Regional Office of Education No. 31's regular plan members are required to contribute 4.50% of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2007 was 0% of annual covered payroll. The Kane County Regional Office of Education No. 31 also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost

For 2007, the Kane County Regional Office of Education No. 31's annual pension cost of \$0 for the regular plan was equal to the Kane County Regional Office of Education No. 31's required and actual contributions.

THREE - YEAR TREND INFORMATION

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/07	\$ -	100%	\$ -
12/31/06	-	100%	-
12/31/05	-	100%	-

The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2005 included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of Kane County Regional Office of Education No. 31 regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor between the actuarial and market value of assets. The Kane County Regional Office of Education No. 31's regular plan's overfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007 was 5 years.

Funded Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation date, the regular plan was 118.51% funded. The actuarial accrued liability for benefits was \$39,535 and the actuarial value of assets was \$46,851, resulting in an overfunded actuarial accrued liability (UAAL) of \$7,316. The covered payroll (annual payroll of active employees covered by the plan) was \$0 and since the plan is overfunded, there is no ratio of the UAAL to the covered payroll.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 8 - ON-BEHALF PAYMENTS

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

Regional Superintendent's salary	\$ 105,761
Regional Superintendent's fringe benefits (includes State paid insurance)	23,393
Assistant Regional Superintendent's salary	95,184
Assistant Regional Superintendent's fringe benefits (includes State paid insurance)	13,660
TRS Contributions	<u>33,796</u>
Total	<u>\$ 271,794</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.

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 9 - DEFICIT FUND BALANCES

The following funds have deficit fund balances as of June 30, 2008:

General Fund		
ROE/ISC Operations	\$	13,682
Education Fund		
Technology for Success (Formerly Learning Technology Center)		1,311
SOS - Q4 Teacher Quality		3,083
Preschool Mentoring		3,347
Principal Mentoring		8,950
Nonmajor Special Revenue Funds		
Bus Driver Training		731
Nonmajor Proprietary Funds		
Discovery Education United Streaming		3,780
Total Deficit Fund Balances	\$	<u>34,884</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 10 - INTERFUND TRANSACTIONS

(a) Due From (To) Other Funds

The following is a summary of amounts due from (to) other funds as of June 30, 2008:

Fund	Due From Other Funds	Due To Other Funds
General Fund - Regional Program Development	\$ 1,120	\$ -
General Fund - Regional Program Development	-	29,570
Education Fund - Regional Safe School	-	400
Education Fund - McKinney Education for Homeless Children	29,570	-
Education Fund - McKinney Education for Homeless Children	-	720
Education Fund - Principal Mentoring	-	24,700
Institute Fund	24,700	-
Total	<u>\$ 55,390</u>	<u>\$ 55,390</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(b) Transfers From (To) Other Funds

The composition of interfund transfers for the year ended June 30, 2008 is as follows:

Fund	Transfers-out	Transfers-in
General Fund - Regional Program Development	\$ -	\$ 450,000
Education Fund - Truants' Alternative and Optional Education Program (TAP)	7,800	-
Education Fund - Youth Home Education	450,000	-
Proprietary Funds - ESC Professional Development	-	7,800
Total	<u>\$ 457,800</u>	<u>\$ 457,800</u>

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

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
REQUIRED SUPPLEMENTARY SCHEDULE
JUNE 30, 2008**

**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)
12/31/07	\$46,851	\$39,535	\$ (7,316)	118.51%	\$ -	0.00%
12/31/06	42,971	38,136	(4,835)	112.68%	-	N/A
12/31/05	39,735	36,357	(3,378)	109.29%	-	N/A

SUPPLEMENTARY INFORMATION

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
GENERAL FUND
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2008**

SCHEDULE 1

	ROE/ISC Operations	Regional Program Development	Total
ASSETS			
Cash and cash equivalents (overdrafts)	\$ (2,544)	\$ 845,247	\$ 842,703
Due from other funds	-	1,120	1,120
TOTAL ASSETS	(2,544)	846,367	843,823
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	11,138	-	11,138
Due to other funds	-	29,570	29,570
Due to other governmental agencies	-	184	184
Total liabilities	11,138	29,754	40,892
FUND BALANCES (DEFICIT)			
Unreserved	(13,682)	816,613	802,931
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ (2,544)	\$ 846,367	\$ 843,823

**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, 2008**

SCHEDULE 2

	ROE/ISC Operations	Regional Program Development	Total
REVENUES			
State sources	\$ 242,904	\$ -	\$ 242,904
Local sources			
Intergovernmental	-	73,409	73,409
Interest	344	22,981	23,325
On-behalf payments	271,794	-	271,794
Total revenues	<u>515,042</u>	<u>96,390</u>	<u>611,432</u>
EXPENDITURES			
Salaries	119,914	-	119,914
Benefits	40,850	-	40,850
Purchased services	87,008	39,184	126,192
Supplies and materials	2,428	304	2,732
Capital expenditures	1,928	3,950	5,878
Payments to other governments	-	18,685	18,685
On-behalf payments	271,794	-	271,794
Miscellaneous	630	829	1,459
Total expenditures	<u>524,552</u>	<u>62,952</u>	<u>587,504</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,510)	33,438	23,928
OTHER FINANCING SOURCES			
Transfers in	-	450,000	450,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(9,510)	483,438	473,928
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>(4,172)</u>	<u>333,175</u>	<u>329,003</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ (13,682)</u>	<u>\$ 816,613</u>	<u>\$ 802,931</u>

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

SCHEDULE 3

	ROE/ISC Operations		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
State sources	\$ 242,904	\$ 242,904	\$ -
Local sources			
Interest	-	344	344
On-behalf payments	-	271,794	271,794
	<hr/>	<hr/>	<hr/>
Total revenues	242,904	515,042	272,138
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Salaries	116,000	119,914	(3,914)
Benefits	40,000	40,850	(850)
Purchased services	78,904	87,008	(8,104)
Supplies and materials	5,500	2,428	3,072
Capital expenditures	2,500	1,928	572
On-behalf payments	-	271,794	(271,794)
Miscellaneous	-	630	(630)
	<hr/>	<hr/>	<hr/>
Total expenditures	242,904	524,552	(281,648)
	<hr/>	<hr/>	<hr/>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>(9,510)</u>	<u>\$ (9,510)</u>
FUND DEFICIT, BEGINNING OF YEAR		<u>(4,172)</u>	
FUND DEFICIT, END OF YEAR		<u>\$ (13,682)</u>	

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2008

SCHEDULE 4

	Technology for Success (Formerly Learning Technology Center)	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)	\$ (22,848)	\$ (13,957)	\$ 537,591	\$ 338,600	\$ 71,910	\$ (1,482)
Due from other funds	-	-	-	-	-	-
Due from other governmental agencies	26,000	22,818	-	-	-	11,678
TOTAL ASSETS	3,152	8,861	537,591	338,600	71,910	10,196
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued expenses	4,463	-	59,650	-	60,883	639
Due to other funds	-	-	400	-	-	-
Due to other governmental agencies	-	-	465,643	-	-	12,640
Total liabilities	4,463	-	525,693	-	60,883	13,279
FUND BALANCES (DEFICIT)						
Unreserved	(1,311)	8,861	11,898	338,600	11,027	(3,083)
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 3,152	\$ 8,861	\$ 537,591	\$ 338,600	\$ 71,910	\$ 10,196

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 EDUCATION FUND
 COMBINING SCHEDULE OF ACCOUNTS
 JUNE 30, 2008

SCHEDULE 4
 (CONTINUED)

	Title II - Teacher Quality - Leadership	Title I - School Improvement & Accountability	McKinney Education for Homeless Children	Youth Home Education	Preschool Monitoring	Principal Mentoring	Total
ASSETS							
Cash and cash equivalents (overdrafts)	\$ 64,447	\$ 271,709	\$ 37,728	\$ 316,736	\$ (3,347)	\$ -	\$ 1,597,087
Due from other funds	-	-	29,570	-	-	-	29,570
Due from other governmental agencies	8,849	37,161	-	-	-	15,750	122,256
TOTAL ASSETS	73,296	308,870	67,298	316,736	(3,347)	15,750	1,748,913

LIABILITIES AND FUND BALANCES

LIABILITIES							
Accounts payable and accrued expenses	1,378	140,928	1,921	31,964	-	-	301,826
Due to other funds	-	-	720	-	-	24,700	25,820
Due to other governmental agencies	68,952	149,569	-	-	-	-	696,804
Total liabilities	70,330	290,497	2,641	31,964	-	24,700	1,024,450

FUND BALANCES (DEFICIT)

Unreserved	2,966	18,373	64,657	284,772	(3,347)	(8,950)	724,463
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 73,296	\$ 308,870	\$ 67,298	\$ 316,736	\$ (3,347)	\$ 15,750	\$ 1,748,913

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 EDUCATION FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2008

	Technology for Success (Formerly Learning Technology Center)	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	\$ -	\$ 90,359	\$ -	\$ -	\$ -	\$ -
State sources	96,633	-	940,773	378,329	350,985	119,922
Local sources	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Interest	22	306	3,306	6,923	1,682	380
Total revenues	96,655	90,665	944,079	385,252	352,667	120,302
EXPENDITURES						
Salaries	46,098	57,692	236,148	138,750	267,354	33,333
Benefits	12,264	19,590	88,723	30,583	65,427	3,409
Purchased services	13,555	5,645	33,768	7,382	18,892	59,642
Supplies and materials	501	-	4,427	577	175	14,269
Capital expenditures	1,000	-	1,575	4,578	-	-
Payments to other governments	23,215	-	576,132	-	-	12,093
Total expenditures	96,633	82,927	940,773	181,870	351,848	122,746
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	22	7,738	3,306	203,382	819	(2,444)
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease obligation	-	-	-	-	-	-
Transfers out	-	-	-	-	(7,800)	-
Total other financing sources (uses)	-	-	-	-	(7,800)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES	22	7,738	3,306	203,382	(6,981)	(2,444)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	(1,333)	1,123	8,592	135,218	18,008	(639)
FUND BALANCES (DEFICIT), END OF YEAR	\$ (1,311)	\$ 8,861	\$ 11,898	\$ 338,600	\$ 11,027	\$ (3,083)

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 EDUCATION FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2008

SCHEDULE 5
 (CONTINUED)

	Title II - Teacher Quality - Leadership	Title I - School Improvement & Accountability	McKinney Education for Homeless Children	Youth Home Education	Preschool Monitoring	Principal Mentoring	Total
\$	77,035	\$ 494,290	\$ 112,024	\$ -	\$ -	\$ -	\$ 773,708
	-	-	-	741,288	37,750	-	2,665,680
	-	-	-	-	-	19,250	19,250
	1,014	5,627	890	12,829	-	-	32,979
	78,049	499,917	112,914	754,117	37,750	19,250	3,491,617

REVENUES

Federal sources							
State sources							
Local sources							
Intergovernmental							
Interest							
Total revenues							

EXPENDITURES

Salaries							
Benefits							
Purchased services							
Supplies and materials							
Capital expenditures							
Payments to other governments							
Total expenditures							

EXCESS (DEFICIENCY) OF REVENUES
 OVER EXPENDITURES

	2,770	5,627	64,657	311,549	(3,683)	(8,950)	584,793
--	-------	-------	--------	---------	---------	---------	---------

OTHER FINANCING SOURCES (USES)

Proceeds from capital lease obligation				6,933			6,933
Transfers out				(450,000)			(457,800)
Total other financing sources (uses)				(443,067)			(450,867)

EXCESS (DEFICIENCY) OF REVENUES AND OTHER
 FINANCING SOURCES (USES) OVER EXPENDITURES

	2,770	5,627	64,657	(131,518)	(3,683)	(8,950)	133,926
--	-------	-------	--------	-----------	---------	---------	---------

FUND BALANCES (DEFICIT), BEGINNING OF YEAR

	196	12,746	-	416,290	336	-	590,537
--	-----	--------	---	---------	-----	---	---------

FUND BALANCES (DEFICIT), END OF YEAR

\$	2,966	\$ 18,373	\$ 64,657	\$ 284,772	\$ (3,347)	\$ (8,950)	\$ 724,463
----	-------	-----------	-----------	------------	------------	------------	------------

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 EDUCATION FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2008

SCHEDULE 6

	Technology for Success (Formerly Learning Technology Center)			Regional Safe Schools		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State sources	\$ 96,633	\$ 96,633	\$ -	\$ 940,773	\$ 940,773	\$ -
Local sources	-	22	22	-	3,306	3,306
Interest	-	22	22	-	3,306	3,306
Total revenues	<u>96,633</u>	<u>96,655</u>	<u>22</u>	<u>940,773</u>	<u>944,079</u>	<u>3,306</u>
EXPENDITURES						
Salaries	46,000	46,098	(98)	227,400	236,148	(8,748)
Benefits	12,360	12,264	96	82,706	88,723	(6,017)
Purchased services	13,558	13,555	3	34,300	33,768	532
Supplies and materials	500	501	(1)	5,000	4,427	573
Capital expenditures	1,000	1,000	-	3,000	1,575	1,425
Payments to other governments	23,215	23,215	-	588,367	576,132	12,235
Total expenditures	<u>96,633</u>	<u>96,633</u>	<u>-</u>	<u>940,773</u>	<u>940,773</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ 22	\$ 22	\$ -	\$ 3,306	\$ 3,306
OTHER FINANCING USES						
Transfers out	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES		22			3,306	
FUND BALANCES (DEFICIT), BEGINNING OF YEAR		(1,333)			8,592	
FUND BALANCES (DEFICIT), END OF YEAR	\$	<u>(1,311)</u>		\$	<u>11,898</u>	

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 EDUCATION FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2008

SCHEDULE 6
 (CONTINUED)

	Truants' Alternative and Optional Education Program (TAP)				Total	
	Budget	Actual	Variance Favorable (Unfavorable)	Budget		Actual
REVENUES						
State sources	\$ 350,985	\$ 350,985	\$ -	\$ 1,388,391	\$ 1,388,391	\$ -
Local sources						
Interest	-	1,682	1,682	-	5,010	5,010
Total revenues	<u>350,985</u>	<u>352,667</u>	<u>1,682</u>	<u>1,388,391</u>	<u>1,393,401</u>	<u>5,010</u>
EXPENDITURES						
Salaries	265,117	267,354	(2,237)	538,517	549,600	(11,083)
Benefits	65,168	65,427	(259)	160,234	166,414	(6,180)
Purchased services	20,200	18,892	1,308	68,058	66,215	1,843
Supplies and materials	500	175	325	6,000	5,103	897
Capital expenditures	-	-	-	4,000	2,575	1,425
Payments to other governments	-	-	-	611,582	599,347	12,235
Total expenditures	<u>350,985</u>	<u>351,848</u>	<u>(863)</u>	<u>1,388,391</u>	<u>1,389,254</u>	<u>(863)</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ 819	\$ 819	\$ -	\$ 4,147	\$ 4,147
OTHER FINANCING USES						
Transfers out		(7,800)			(7,800)	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES		(6,981)			(3,653)	
FUND BALANCES (DEFICIT), BEGINNING OF YEAR		18,008			25,267	
FUND BALANCES (DEFICIT), END OF YEAR	\$ -	\$ 11,027			\$ 21,614	

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2008

SCHEDULE 7

	GED	Bus Driver Training	Supervisory	Local Tuancy	Total
ASSETS					
Cash and cash equivalents (overdrafts)	\$ 59,676	\$ (869)	34	\$ 169,451	\$ 228,292
Accounts receivable	85	360	-	-	445
Due from other governmental agencies	1,977	-	-	-	1,977
TOTAL ASSETS	<u>61,738</u>	<u>(509)</u>	<u>34</u>	<u>169,451</u>	<u>230,714</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	1,882	-	-	2,317	4,199
Deferred revenues	-	222	-	-	222
TOTAL LIABILITIES	<u>1,882</u>	<u>222</u>	<u>-</u>	<u>2,317</u>	<u>4,421</u>
FUND BALANCES (DEFICIT)					
Unreserved	59,856	(731)	34	167,134	226,293
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 61,738</u>	<u>\$ (509)</u>	<u>\$ 34</u>	<u>\$ 169,451</u>	<u>\$ 230,714</u>

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2008

	GED	Bus Driver Training	Supervisory	Local Tuancy	Total
REVENUES					
State sources	\$ -	\$ 1,440	\$ 1,000	\$ -	\$ 2,440
Local sources					
Intergovernmental	10,515	-	-	14,392	24,907
Fees for services	35,840	6,166	-	-	42,006
Interest	2,929	-	12	5,555	8,496
Total revenues	49,284	7,606	1,012	19,947	77,849
EXPENDITURES					
Salaries	22,531	-	-	-	22,531
Benefits	5,804	-	-	-	5,804
Purchased services	23,138	8,820	1,000	1,622	34,580
Supplies and materials	13,960	-	-	-	13,960
Miscellaneous	393	23	-	-	416
Total expenditures	65,826	8,843	1,000	1,622	77,291
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,542)	(1,237)	12	18,325	558
FUND BALANCES, BEGINNING OF YEAR	76,398	506	22	148,809	225,735
FUND BALANCES (DEFICIT), END OF YEAR	\$ 59,856	\$ (731)	\$ 34	\$ 167,134	\$ 226,293

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2008

SCHEDULE 9

	ESC Professional Development Local 2	Visual Media Cooperative	Technology	Local Counselors Academy	Criminal Background Investigation
ASSETS					
Current assets					
Cash and cash equivalents (overdrafts)	\$ 11,370	\$ 49,102	\$ 44,794	\$ 35,285	\$ 51,037
Accounts receivable	450	-	-	331	-
Due from other governmental agencies	1,125	-	107,472	1,450	-
Total current assets	12,945	49,102	152,266	37,066	51,037
Noncurrent assets					
Capital assets, net	32,792	-	10,790	457	4,655
TOTAL ASSETS	45,737	49,102	163,056	37,523	55,692
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	1,984	-	108,902	885	1,620
Due to other governmental agencies	8,000	37,107	-	-	-
Deferred revenues	-	-	-	-	-
Leases payable	7,347	-	-	-	-
Total current liabilities	17,331	37,107	108,902	885	1,620
Noncurrent liabilities					
Leases payable	23,831	-	-	-	-
TOTAL LIABILITIES	41,162	37,107	108,902	885	1,620
NET ASSETS					
Invested in capital assets, net of related debt	1,614	-	10,790	457	4,655
Unrestricted	2,961	11,995	43,364	36,181	49,417
TOTAL NET ASSETS	\$ 4,575	\$ 11,995	\$ 54,154	\$ 36,638	\$ 54,072

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2008

SCHEDULE 9
(CONTINUED)

	Kane County Human Resources Consortium	Kane County Library Resources Consortium	Discovery Education United Streaming	Total
ASSETS				
Current assets				
Cash and cash equivalents (overdrafts)	\$ 53,327	\$ 42,012	\$ (30)	\$ 286,897
Accounts receivable	-	-	-	781
Due from other governmental agencies	34,000	57,574	75,000	276,621
Total current assets	87,327	99,586	74,970	564,299
Noncurrent assets				
Capital assets, net	431	-	-	49,125
TOTAL ASSETS	87,758	99,586	74,970	613,424
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	-	31,881	78,750	224,022
Due to other governmental agencies	-	-	-	45,107
Deferred revenues	-	64,203	-	64,203
Leases payable	-	-	-	7,347
Total current liabilities	-	96,084	78,750	340,679
Noncurrent liabilities				
Leases payable	-	-	-	23,831
TOTAL LIABILITIES	-	96,084	78,750	364,510
NET ASSETS				
Invested in capital assets, net of related debt	431	-	-	17,947
Unrestricted	87,327	3,502	(3,780)	230,967
TOTAL NET ASSETS	\$ 87,758	\$ 3,502	\$ (3,780)	\$ 248,914

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 NONMAJOR PROPRIETARY FUNDS

SCHEDULE 10

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2008

	ESC Professional Development Local 2	Visual Media Cooperative	Technology	Local Counselors Academy	Criminal Background Investigation
OPERATING REVENUES					
Local sources					
Intergovernmental	\$ 104,696	\$ -	\$ -	\$ -	\$ -
Fees for services	-	-	143,994	38,019	171,653
Total operating revenues	104,696	-	143,994	38,019	171,653
OPERATING EXPENSES					
Purchased services	113,007	-	38,782	37,830	143,025
Supplies and materials	3,632	-	110,808	521	-
Depreciation	9,535	-	1,613	119	3,297
Capital expenditures	-	-	1,205	-	-
Miscellaneous	434	-	410	591	144
Total operating expenses	126,608	-	152,818	39,061	146,466
OPERATING INCOME (LOSS)	(21,912)	-	(8,824)	(1,042)	25,187
NONOPERATING REVENUES					
Interest	575	1,956	1,402	1,332	1,626
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(21,337)	1,956	(7,422)	290	26,813
OTHER FINANCING SOURCES					
Transfers in	7,800	-	-	-	-
CHANGES IN NET ASSETS	(13,537)	1,956	(7,422)	290	26,813
NET ASSETS, BEGINNING OF YEAR	18,112	10,039	61,576	36,348	27,259
NET ASSETS, END OF YEAR	\$ 4,575	\$ 11,995	\$ 54,154	\$ 36,638	\$ 54,072

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 NONMAJOR PROPRIETARY FUNDS

SCHEDULE 10
 (CONTINUED)

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2008

	Kane County Human Resources Consortium	Kane County Library Resources Consortium	Discovery Education United Streaming	Total
OPERATING REVENUES				
Local sources				
Intergovernmental	\$ 49,100	\$ -	\$ -	\$ 153,796
Fees for services	-	132,005	75,000	560,671
Total operating revenues	49,100	132,005	75,000	714,467
OPERATING EXPENSES				
Purchased services	30,434	129,162	78,750	570,990
Supplies and materials	139	-	-	115,100
Depreciation	2,586	-	-	17,150
Capital expenditures	-	-	-	1,205
Miscellaneous	-	-	30	1,609
Total operating expenses	33,159	129,162	78,780	706,054
OPERATING INCOME (LOSS)	15,941	2,843	(3,780)	8,413
NONOPERATING REVENUES				
Interest	1,714	659	-	9,264
INCOME (LOSS) BEFORE OPERATING TRANSFERS	17,655	3,502	(3,780)	17,677
OTHER FINANCING SOURCES				
Transfers in	-	-	-	7,800
CHANGES IN NET ASSETS	17,655	3,502	(3,780)	25,477
NET ASSETS, BEGINNING OF YEAR	70,103	-	-	223,437
NET ASSETS, END OF YEAR	\$ 87,758	\$ 3,502	\$ (3,780)	\$ 248,914

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

SCHEDULE 11

	ESC Professional Development Local 2	Visual Media Cooperative	Technology	Local Counselors Academy	Criminal Background Investigation
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts for workshops and services	\$ 111,446	\$ -	\$ 93,622	\$ 37,338	\$ 171,653
Payments to suppliers	(109,241)	-	(42,303)	(40,369)	(141,549)
Net cash provided by (used in) operating activities	2,205	-	51,319	(3,031)	30,104
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITY:					
Transfer from other funds	7,800	-	-	-	-
Net cash provided by noncapital financing activity	7,800	-	-	-	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Purchase of capital assets	(38,833)	-	(7,768)	-	-
Net proceeds from capital lease obligations	31,178	-	-	-	-
Net cash used in capital financing activities	(7,655)	-	(7,768)	-	-
CASH FLOWS FROM INVESTING ACTIVITY:					
Interest					
Net cash provided by investing activities	575	1,956	1,402	1,332	1,626
	575	1,956	1,402	1,332	1,626
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,925	1,956	44,953	(1,699)	31,730
CASH AND CASH EQUIVALENTS (OVERDRAFTS), BEGINNING OF YEAR	8,445	47,146	(159)	36,984	19,307
CASH AND CASH EQUIVALENTS (OVERDRAFTS), END OF YEAR	\$ 11,370	\$ 49,102	\$ 44,794	\$ 35,285	\$ 51,037
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (21,912)	\$ -	\$ (8,824)	\$ (1,042)	\$ 25,187
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	9,535	-	1,613	119	3,297
Effects of changes in assets and liabilities:					
Accounts receivable	(450)	-	-	(331)	-
Due from other governmental agencies	7,200	-	(50,372)	(350)	-
Accounts payable and accrued expenses	(18)	-	108,902	(1,427)	1,620
Due to other governmental agencies	7,850	-	-	-	-
Deferred revenues	-	-	-	-	-
Net cash provided by (used in) operating activities	\$ 2,205	\$ -	\$ 51,319	\$ (3,031)	\$ 30,104

KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

SCHEDULE 11
(CONTINUED)

	Kane County Human Resources Consortium	Kane County Library Resources Consortium	Discovery Education United Streaming	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts for workshops and services	\$ 46,100	\$ 74,431	\$ -	\$ 534,590
Payments to suppliers	(30,573)	(33,078)	(30)	(397,143)
Net cash provided by (used in) operating activities	15,527	41,353	(30)	137,447
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITY:				
Transfer from other funds	-	-	-	7,800
Net cash provided by noncapital financing activity	-	-	-	7,800
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Purchase of capital assets	-	-	-	(46,601)
Net proceeds from capital lease obligations	-	-	-	31,178
Net cash used in capital financing activities	-	-	-	(15,423)
CASH FLOWS FROM INVESTING ACTIVITY:				
Interest	1,714	659	-	9,264
Net cash provided by investing activities	1,714	659	-	9,264
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,241	42,012	(30)	139,088
CASH AND CASH EQUIVALENTS (OVERDRAFTS), BEGINNING OF YEAR	36,086	-	-	147,809
CASH AND CASH EQUIVALENTS (OVERDRAFTS), END OF YEAR	\$ 53,327	\$ 42,012	\$ (30)	\$ 286,897
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 15,941	\$ 2,843	\$ (3,780)	\$ 8,413
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	2,586	-	-	17,150
Effects of changes in assets and liabilities:				
Accounts receivable	-	-	-	(781)
Due from other governmental agencies	(3,000)	(57,574)	(75,000)	(179,096)
Accounts payable and accrued expenses	-	31,881	78,750	219,708
Due to other governmental agencies	-	-	-	7,850
Deferred revenues	-	64,203	-	64,203
Net cash provided by (used in) operating activities	\$ 15,527	\$ 41,353	\$ (30)	\$ 137,447

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 FIDUCIARY FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2008**

SCHEDULE 12

	<u>Payroll</u>	<u>Juvenile Drug Court</u>	<u>Distributive</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 13,067	\$ 3,693	\$ 3,655	\$ 20,415
Due from other governmental agencies	-	7,862	-	7,862
TOTAL ASSETS	<u>13,067</u>	<u>11,555</u>	<u>3,655</u>	<u>28,277</u>
LIABILITIES				
Due to other governmental agencies	<u>\$ 13,067</u>	<u>\$ 11,555</u>	<u>\$ 3,655</u>	<u>\$ 28,277</u>

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
 FIDUCIARY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
 JUNE 30, 2008**

SCHEDULE 13

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
PAYROLL				
ASSETS				
Cash and cash equivalents	\$ 8,845	\$ 1,921,616	\$ 1,917,394	\$ 13,067
LIABILITIES				
Due to other governmental agencies	\$ 8,845	\$ 1,921,616	\$ 1,917,394	\$ 13,067
JUVENILE DRUG COURT				
ASSETS				
Cash and cash equivalents (overdraft)	\$ (6,825)	\$ 79,525	\$ 69,007	\$ 3,693
Due from other governmental agencies	-	7,862	-	7,862
	<u>(6,825)</u>	<u>87,387</u>	<u>69,007</u>	<u>11,555</u>
LIABILITIES				
Due to other governmental agencies	\$ (6,825)	\$ 87,387	\$ 69,007	\$ 11,555
DISTRIBUTIVE				
ASSETS				
Cash and cash equivalents	\$ 1,107	\$ 1,773,163	\$ 1,770,615	\$ 3,655
LIABILITIES				
Due to other governmental agencies	\$ 1,107	\$ 1,773,163	\$ 1,770,615	\$ 3,655
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 3,127	\$ 3,774,304	\$ 3,757,016	\$ 20,415
Due from other governmental agencies	-	7,862	-	7,862
	<u>3,127</u>	<u>3,782,166</u>	<u>3,757,016</u>	<u>28,277</u>
LIABILITIES				
Due to other governmental agencies	\$ 3,127	\$ 3,782,166	\$ 3,757,016	\$ 28,277

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT
TREASURERS AND OTHERS
FOR THE YEAR ENDED JUNE 30, 2008**

SCHEDULE 14

Valley Education for Employment System

Vocational Education - Career and Tech. Grant	\$ 91,741
Vocational Education - Career and Technical Education Improvement	1,126,941
Vocational Education - Agriculture Education	29,469
Vocational Education - Perkins - IIE	<u>522,464</u>
	<u>\$ 1,770,615</u>

**KANE COUNTY REGIONAL OFFICE OF EDUCATION NO. 31
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

SCHEDULE 15

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2008 Expenditures
<u>DEPARTMENT OF EDUCATION</u>			
Special Education_ Grants to States Passed-Through Northern Suburban Special Education District <i>Federal Special Education - IDEA Flow-Through</i>	84.027A	2008-4630-01	<u>\$ 82,927</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	2008-4935-SS	<u>75,279</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	2008-4331-SS	<u>494,290</u>
Education for Homeless Children and Youth Passed-Through Will County Regional Office of Education No. 56 <i>McKinney Education for Homeless Children</i>	84.196A	2008-4920-00	<u>48,257</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 700,753</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, 2008**

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

Not Applicable.

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

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.

Note 4. Non-Cash Assistance

Not Applicable.

Note 5. Amount of Insurance

Not Applicable.

Note 6. Loans or Loan Guarantees Outstanding

Not Applicable.